

PHOENIX RE LIMITED
FINANCIAL CONDITION REPORT
For the year ended December 31, 2024

Contents

i.	CONTEXT	3
ii.	DECLARATION	4
iii.	COMPANY BACKGROUND INFORMATION	5
iv.	BUSINESS AND PERFORMANCE	5
	a) Name of Insurer	5
	b) Supervisors	5
	c) Approved Auditor	5
	d) Ownership Details	5
	e) Group Structure	6
	f) Insurance Business Written by Business Segment and by Geographical Region	7
	g) Performance of Investments and Material Income and Expenses	8
	h) Any Other Material Information	9
v.	GOVERNANCE STRUCTURE	9
	a) Board and Senior Executives	9
	b) Fitness and Propriety Requirements	12
	c) Risk Management and Solvency Self-Assessment	17
	d) Internal Controls	23
	e) Internal Audit	24
	f) Actuarial Function	25
	g) Outsourcing	25
	h) Material Intra-Group Outsourcing	26
vi.	RISK PROFILE	27
	a) Material Risks to which the Company is Exposed During the Reporting Period	27
	b) Risk mitigation in the Company	28
	c) Material risk concentrations	28
	d) Investment in Assets in Accordance with the Prudent Person Principle of the Code of Conduct	28
	e) Stress Testing and Sensitivity Analysis to Assess Material Risks	29
	f) Any other material information	29
vii.	SOLVENCY VALUATION	29
	a) Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class	29
	c) Description of Recoverable from Reinsurance Contracts	30
	d) Valuation Bases, Assumptions and Methods to Derive the Value of Other Liabilities	30
	e) Any other Material Information	30
viii.	CAPITAL MANAGEMENT	31
	a) Eligible Capital	31
	b) Regulatory Capital Requirements	32
	c) Approved Internal Capital Model	32
ix.	SUBSEQUENT EVENTS	32

i. **CONTEXT**

This financial condition report (“FCR”) for Phoenix Re Limited (the “Company” or “Phoenix Re”) is produced in accordance with the Insurance (Public Disclosure) Rules 2015 (the “Rules”) under the Bermuda Insurance Act 1978 and related regulations, as amended (the “Insurance Act”). The FCR outlines the financial condition of Phoenix Re as at December 31, 2024. The FCR contains qualitative and quantitative information of Phoenix Re’s business and performance, governance structure, risk profile, solvency valuation and capital management.

i. **DECLARATION**

Declaration on the Financial Condition Report

We, the undersigned, declare that to the best of our knowledge and belief, the financial condition report fairly represents the financial condition of Phoenix Re Limited in all material respects as at December 31, 2024.

21/3/25

Date

 Chief Executive Officer

Nicholas Grainger

Phoenix Re Limited

21 March 2025

Date



Chief Risk Officer

Jelena Strelets

Phoenix Re Limited

iii. **COMPANY BACKGROUND INFORMATION**

Phoenix Re Limited is incorporated in Bermuda and commenced operations in 2022. The Company is licensed as a Class E insurer under the Insurance Act and is authorised to carry on long-term insurance (including reinsurance) business in Bermuda. The Company's registered office is located at Canon's Court, 22 Victoria St, Hamilton, HM 12, Bermuda.

iv. **BUSINESS AND PERFORMANCE**

a) Name of Insurer

Phoenix Re Limited

b) Supervisors

Insurance Supervisor

Bermuda Monetary Authority
BMA House,
43 Victoria Street,
Hamilton, HM12
Bermuda

Group Supervisor

Prudential Regulation Authority
20 Moorgate
London, EC2R 6DA
United Kingdom

c) Approved Auditor

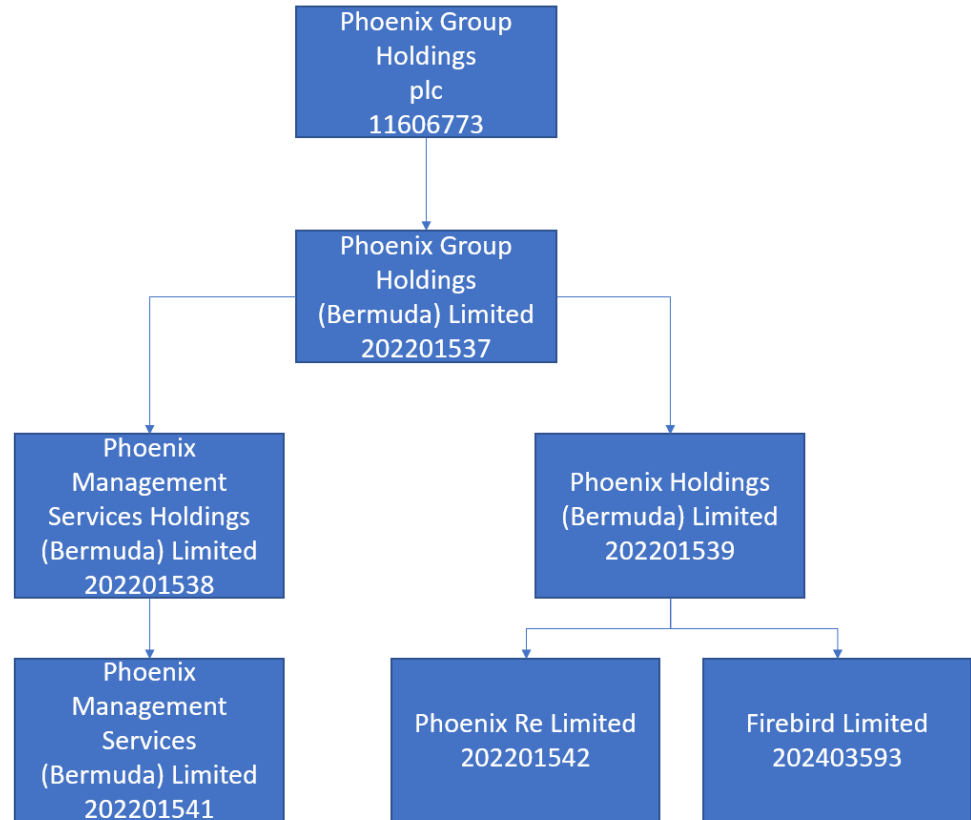
KPMG Bermuda
4 Par-la-ville Rd
Hamilton, HM08
Bermuda

d) Ownership Details

The Company is a wholly owned subsidiary of Phoenix Holdings (Bermuda) Limited (the "Parent"). The Company's ultimate parent is Phoenix Group Holdings plc (the "Ultimate Parent"), which is listed on the London Stock Exchange in the United Kingdom.

e) Group Structure

The following diagram shows the ownership structure of all Phoenix Group affiliates in Bermuda, as of December 31, 2024.



The Phoenix Group (or the “Group”) is the UK’s largest long-term savings and retirement business with circa £280 billion of assets under administration and circa 12 million customers as at December 31, 2024. It is a constituent of the FTSE 100, has circa 6,600 colleagues, and has businesses in the UK, Germany, Ireland and Bermuda.

f) Insurance Business Written by Business Segment and by Geographical Region

The Company has one business segment. The insurance liabilities of the Company are in respect of quota share reinsurance of non-participating annuities in payment, written in Ireland, Germany, and Austria, written by Standard Life International d.a.c. (the "Cedant"). These annuities all denominated in euro. These annuities are payable for life, and policyholders do not have any options or guarantees in respect of these annuities.

The quota share reinsurance covers 100% of the investment risk and 10% of the demographic risk, with the remainder of the demographic risk being retained by the Cedant.

The table below summarises the Company's premium income by geographic region for 2024 and 2023:

	2024	2023
	€000	€000
Europe	92,946	344,297

g) *Performance of Investments and Material Income and Expenses*

The table below summarises the Company's investment income in the year ending December 31, 2024 and December 31, 2023:

	Long-term business technical account		Non-technical account	
	2024	2023	2024	2023
	€000	€000	€000	€000
Investment income				
Interest income on financial assets that are debt instruments held at amortised cost	–	–	–	–
Income from financial assets at fair value through profit and loss	10,716	794	985	117
Income from other financial investments	–	–	–	–
Net gains on the realisation of investments	1,689	1,316	2	–
	12,405	2,110	987	117
Investment expenses and charges				
Net losses on the realisation of investments	–	–	–	–
Other investment management expenses	(371)	(30)	–	–
Net unrealised gains/(losses) on investments	(3,355)	16,885	(1)	3
Total investment return	8,679	18,965	986	120
Investment return is analysed between:				
Investment return retained in the long-term business technical account	8,679	18,965	–	–
Investment return allocated from the long-term business technical account to the non-technical account	–	–	986	120
Total investment return	8,679	18,965	986	120

The Long-term business technical account held debt securities at December 31, 2024.
The Non-technical account holds cash and cash equivalents at December 31, 2024.

The table below summarises the Company's expenses in the year ending December 31, 2024 and December 31, 2023:

	2024	2023
	€000	€000
Net operating expenses		
Maintenance costs	417	–
Other acquisition costs	465	1,716
Other expenses	536	605
Total administrative expenses	1,418	2,321

h) Any Other Material Information

No other material information to report.

v. GOVERNANCE STRUCTURE

The objective of the Company's Governance Model is to ensure that management is empowered to run the business on a day-to-day basis in accordance with the delegated authority received from the Board, whilst ensuring that the Directors are able to discharge their statutory and regulatory responsibilities, and that the Board has appropriate oversight and supervision of the Company's business. Accordingly, there is a clear organisational structure, with documented delegated authorities and responsibilities, from the Board to the Executive Committee ("ExCo") and senior management.

a) Board and Senior Executives

i. Board and Senior Executive Structure, Roles, Responsibilities and Segregation of Responsibilities

The Board of Directors fulfils a critical role in the sound and prudent governance, oversight and successful operation of the Company. The mix of skill, knowledge, expertise and experience within the Board is commensurate with the nature, scale and complexity of the business and its composition will be reviewed by the Chair annually. The Board meets at least four times a year and will conduct a self-assessment of its performance and effectiveness annually. The Board's powers, authorities and duties are vested in it by the Company's Bye-laws, the Company's Board Reserved Matters, the system of governance and is subject to the Insurance Code of Conduct adopted by the Bermuda Monetary Authority ("BMA") and the Insurance Act.

The Chair of the Board is responsible for the operation, leadership and governance of the Board, ensuring its effectiveness and setting its agenda. The Chief Executive Officer ("CEO") has delegated authority from the Board to manage the business of the Company on a day-to-day basis.

The Non-Executive Directors ("NEDs") all have relevant industry experience and are responsible for providing guidance to and challenging the executives. As at

December 31, 2024, the Board consists of four NEDs, three of whom are Independent NEDs.

At December 31, 2024, the Board consisted of 6 directors:

- Fiona Luck (Independent, Non-Executive Chair);
- Katherine Coates (Independent, Non-Executive Director);
- Richard Lightowler (Independent Non-Executive Director);
- Andy Curran (Ultimate Parent Representative, Non-Executive Director);
- Allison Pedro (Executive Director and CFO); and
- Nicholas Grainger (Executive Director and CEO).

The Company's applicable constitutional documents, committee charters, and BMA Insurance Code of Conduct include guidance and/or details of the Board's role and responsibilities.

Quarterly Board meetings include standing agenda and other items. The Board receives reports from senior executives, management and the Company's general counsel. Reports are also received from the following Board committees:

- Audit Committee
- Risk Committee
- Investment Committee

Each of these committees has its own Terms of Reference.

ii. *Remuneration Policy*

The Group has one consistent remuneration policy for all levels of employees which is made available to all staff. Therefore, the same remuneration policy principles guide reward decisions for all Group employees, including Executive Directors, although remuneration packages differ to take into account appropriate factors for different areas of the business, including Phoenix Re.

The Group-wide remuneration policy is overseen by the Remuneration Committee of Group.

The policy focuses on ensuring sound and effective risk management and supports management in the operation of their business through the identification of minimum standards and key controls.

The key principles of the remuneration policy which applies across the Group are set out below.

- Attract, retain and motivate quality staff – management keep remuneration practices under review to ensure that these support promotion of the long-term interests of the Group and its stakeholders and adequately and fairly reward staff.
- Remuneration is positioned appropriately against external benchmarks – remuneration is benchmarked against independent third party data at appropriate intervals.
- Remuneration is aligned to the long-term success of the Group – performance-related components of remuneration are aligned to measures which reflect achievement of the Group's long-term success and strategy.
- Remuneration takes account of the risk profile of the Group – performance related components of remuneration take into account the risk profile of

the Group, with all assessments of performance subject to Committee oversight which include the consideration of risk-related factors.

- Proportion of variable pay is appropriate and balanced and has due regard to any impact of risk. The Group seeks to ensure that an appropriate balance between fixed and variable remuneration is maintained for all employees, with the fixed proportion being sufficient to allow variable pay to operate on a fully-flexible basis, including the possibility of no payments of variable remuneration in a year.
- Independence and strong governance in decision-making processes – as the policy is overseen by the Group Remuneration Committee this ensures an appropriate level of independent challenge given that it exclusively comprises independent Group NEDs. Certain roles within control functions (Risk, Compliance, and Internal Audit) are also subject to different variable pay arrangements which exclude any linkage to financial performance for annual incentives.

The Board members that are employed by the Phoenix Group are remunerated in line with Group remuneration policies.

Independent directors are remunerated in a manner that is consistent with local market practice; compensation is not made in the form of shares in the Company or Ultimate Parent.

iii. Supplementary Pension or Early Retirement Schemes for Members, Board and Senior Executives

The Company does not currently provide supplementary pension or early retirement schemes for Board members or senior executives.

iv. Any Material Transactions with Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executive

There are no material transactions with the Board members or senior executives outside of the Company's remuneration policies.

Establishment of Phoenix Re

On or prior to December 31, 2023, the Parent contributed capital of €37 million to the Company to support the reinsurance operations in Bermuda as well as fulfil local capital requirements.

Affiliated reinsurance transactions

In November 2023, the Company executed quota share reinsurance treaties with Standard Life International d.a.c., a subsidiary of the Ultimate Parent writing business in Ireland, Germany and Austria. For both treaties, the quota share reinsurance covers 100% of the investment risk and 10% of the demographic risk, with the remainder of the demographic risk being retained by the Cedant.

Related party agreements

On November 13, 2023, Phoenix Management Services (Bermuda) Limited ("PMS"), a Bermuda domiciled services company which procures and provides services for all Bermuda domiciled Phoenix Group companies (including Phoenix Re Limited) entered into a Master Services Agreement ("MSA") with Phoenix Management Services Limited, a UK domiciled subsidiary of the Ultimate Parent.

The scope of services under the MSA includes Asset Management services, Policy and framework services, IT support services, legal, operations, corporate secretarial, and Information security services.

On November 13, 2023, PMS, Phoenix Group Holdings (Bermuda) Limited and the Company entered into an Intercompany Services Agreement (“the Intercompany Agreement”).

The scope of services under the Intercompany Agreement includes the following types of services: Finance & Actuarial, Risk Management, Asset Management, Operations, Legal, IT, Local Human Resources support, Internal Audit, Project & Consultancy, Compliance and Governance & Corporate Secretarial.

b) Fitness and Propriety Requirements

i. Fit and Proper Process in Assessing the Board and Senior Executive

The Company has a policy that sets forth a board fit and proper process that is consistent with the policy that is used by Group. There are currently Terms of Reference governing meetings and committees. There are also agreements with non-employee directors and a policy regarding conflicts of interest.

The Company has also adopted an Employee Conflict of Interest Policy to identify, prevent and manage conflicts of interest in order to ensure that all Phoenix employees perform their work in an objective and unbiased manner.

The Company appoints members of the Board based on the individual's skill set, expertise, knowledge and work experience as well as professional judgment and recommendations from those individuals who are professionally familiar with the proposed Board member.

Senior Management work with the Company's Human Resources Department to hire senior and middle management and other staff to ensure there is sufficient expertise to achieve their respective area goals. The Human Resources Department arranges background screening and other support for all hires to ensure appropriate organisational alignment.

ii. Board and Senior Executives, Professional Qualifications, Skills and Expertise

Board and Senior Executives as at December 31, 2024

Fiona Luck, Independent Non-Executive Director (Chair)

Fiona Luck is a NED at Lloyds' of London Council, Convex Group Holdings Limited as well as HSBC (Bermuda) Limited. She previously was a NED at the Bermuda Monetary Authority, Ras Al Khamaih International Corporate Centre, Hardy Ltd., Catlin Group Ltd. and Allied World Holdings Ltd. She is a Trustee of the David Shepherd Wildlife Foundation in the UK and a Director of Knowledge Quest, a Bermuda charitable organisation.

Ms Luck is a retired financial services executive with more than 35 years' industry experience in global financial services, insurance and reinsurance. She was Executive Vice-President and Chief of Staff of XL Group from June 2006 to 2009 and later served as Special Adviser to the CEO until 2010. From 1999 to 2006,

she held various senior positions at XL, including Executive Vice-President of group operations and Interim Chief Financial Officer (CFO). From 1997-1999 she worked at Ace Bermuda, leaving as Executive Vice-President of joint ventures and strategic alliances. Ms. Luck also worked at Marsh & McLennan in various senior roles including Managing Director from 1983 until 1997.

Ms Luck qualified with the Institute of Chartered Accountants of Scotland UK in 1982 and holds a BA (Hons) in Economics and Finance from Manchester University, UK (1979).

Katherine Coates, Independent Non-Executive Director

Katherine Coates spent her career as a lawyer with Clifford Chance and was Lead Partner in the firm's global insurance practice, advising clients across the sector on transactional, regulatory and governance matters. Since retiring from the partnership she has established a portfolio of NED roles. These comprise Chair of Risk at Talbot Underwriting Limited, part of the AIG group, chair of risk at Great Lakes Insurance U.K. Limited, part of the Munich Re group and NED at U.K. Endorsement Board (a government arm's length body responsible for endorsing IFRS for use in the UK).

Richard Lightowler, Independent Non-Executive Director

Richard Lightowler has over 25 years' experience in financial services public accounting focused on reinsurance and insurance clients, including non-life and life, primary and reinsurance, run-off as well as specialised risk vehicles, including ILS structures and segregated cell companies. He was a Partner with KPMG from 1998 to 2016, where he spent over 16 years serving as Global Lead Audit Partner for SEC registrants and as well as reinsurance groups listed on the London Stock Exchange. He also served as Head of the KPMG Bermuda Insurance Practice. He has significant private and public equity and debt offering experience and has worked on significant cross-border mergers and acquisitions including Buy-side/Sell-side due diligence, structuring and post-acquisition integration.

Mr Lightowler is currently a NED at Aspen Insurance Holdings Limited, Hansa Investment Company Limited, Geneva Re Limited, and Oakley Capital Investments Limited.

Andy Curran, Non-Executive Director

Andy Curran is a senior executive of the Ultimate Parent. He was appointed CEO of Standard Life in October 2020, alongside his role as Group Director Scotland and is a Board member of the Association of British Insurers where he is Chair of the Long Term Savings Committee.

Mr Curran has over 30 years of insurance industry leadership experience focusing on the life and pensions sector. He was Managing Director Corporate, Aviva UK Insurance, accountable for Aviva's UK Corporate businesses. He has held senior positions at Prudential and was UK CEO for Friends Life.

Nicholas Grainger, Executive Director, CEO

Nicholas Grainger is the CEO and member of the Board of Directors of the Company. He specialises in bringing new and innovative solutions to life insurance, and is the founding member of the Phoenix Re Group in Bermuda.

Mr Grainger has previously been involved in two new reinsurance start-ups in Bermuda. He has also been involved in different early stage companies within the insurance sector in the UK market, and has provided specialist advice to a number of financial firms across the UK and Europe. Mr Grainger was an early Partner at Pension Insurance Corporation, and was a vice president in Morgan Stanley's Global Capital Markets insurance team. Mr Grainger specialized in M&A, completing a number of transactions whilst at Tillinghast.

Mr Grainger is an independent non-executive Director for a DG mutual and chair of the Finance and Investment Committee, and Fellow of the Institute of Actuaries since 2006

Jelena Strelets, Chief Risk Officer

Jelena Strelets is an experienced financial services professional. She is a qualified actuary having met the requirements of the Institute and Faculty of Actuaries.

Prior to joining the Company, Jelena was part of Pacific Life Re Divisional Leadership team. Reporting directly into the Divisional Chief Actuary she was heading up Actuarial Business Planning and Capital Management teams responsible for the delivery of strategic capital plans, capital management and optimisation, risk management support and associated elements of an on-going Financial Transformation program.

Prior to this she led the Life & Health Actuarial practice of EY Bermuda covering a wide range of advisory assignments. She played a key role in the establishment of the Ernst & Young life actuarial practice in Bermuda and acted as a regulated function holder, i.e., an Approved Actuary for a number of companies on island.

Previously, Jelena held industry roles in risk management at Swiss Re, reinsurance structuring at an investment bank, Nomura, and economic capital and reporting at Aviva. Jelena started her career in Big 4 actuarial consulting, Deloitte, focusing on enterprise risk management, independent actuary reviews, M&A, Prophet and Excel-based modelling, economic capital optimisation and audit engagements. Throughout her career she worked with several companies in Europe, the USA, Canada, and Bermuda.

David Devlin, Interim Chief Investment Officer (CIO)

David is a Director in the Strategic Partnerships team as has been a qualified actuary since 2010. He joined Phoenix from Scottish Widows where he was Head of Shareholder Assets.

His role at Scottish Widows was focused on annuity fund investment strategy in a Solvency 2/UK Matching Adjustment context. This included portfolio optimization, portfolio trades, ALM, bulk annuity pricing/proposition and new asset/instrument implementation. David was also responsible for asset manager and investment bank relationships, including manager selection. David's existing role focuses on asset manager performance, commercials and operating model, as well as significant SME input on M&A.

David has also worked as a consultant in EY's Insurance Investment Team – this was a wide ranging role which covered multiple aspects of insurance investment – M&A, ALM, Solvency 2 implementation and authored and co-authored multiple papers on private asset investment.

David holds an MA in Economics, an MSc in Actuarial Science and is a Fellow of the Institute of Actuaries.

Jennifer Titterton, Chief Strategy Officer

Jennifer is a seasoned executive with over 25 years of experience and brings a wealth of expertise in corporate operations, project management, and regulatory compliance.

Previously, Jennifer was the President and Chief Operating Officer at Axcelus Financial, where she oversaw Bermuda operations, ensuring compliance and financial stability while expanding global distribution. Jennifer also played key roles in establishing and growing Fleming Re and Safe Harbor Re.

In addition to her professional achievements, Jennifer has been actively involved in community governance, serving as a current member of the Trinity College School Governance Committee and a former member of the Board of Governors and Chair of the Governance Committee from 2016 to 2023 and is known for her solutions-oriented leadership and ability to adapt in fast-paced environments and strong track record in corporate operations.

Jennifer is an active member of professional associations such as Society Trust and Estate Practitioners (STEP) and Institute of Directors (IOD).

Allison Pedro, Chief Financial Officer

Allison began her career in Canada with Deloitte before moving to KPMG, where she built a BM Advisory service and managed various projects for insurers. She later joined Nanometrics to address operational risk management and governance. In 2018, Allison joined Fortitude Re, setting up the local FC function and automating reporting processes. She played a key role in the company's divestment from AIG to Carlyle and T&D.

In 2021, Allison became SLC's Bermudian CFO, overseeing significant expansion and product development. Her role grew into senior management, leading a team of 17 staff across various specialisms. In 2023, Allison transitioned to PRL to explore the UK/European annuities market.

James Mushin, Chief Actuary

James Mushin is an actuary with more than 25 years' experience across life insurance and pensions in the UK, Europe and Bermuda.

He became interim Chief Actuary of the Company when it was established in 2022 and then Chief Actuary following his relocation to Bermuda in 2023.

James joined Phoenix Group in 2017 as Head of Bulk Purchase Annuity Pricing, responsible for the production of quotations for pension de-risking solutions for defined benefit pension schemes, including buy-ins, buy-outs and longevity swaps. In this role he was responsible for pricing methodology and the process for setting assumptions, including the modelling of liabilities and assets, assessment of capital requirements, liaising with reinsurers and lawyers, and negotiating treaty terms.

c) Risk Management and Solvency Self-Assessment

i. Risk Management framework ("RMF")

The RMF embeds proactive and effective risk management at the Company. It seeks to ensure that all material risks are identified, assessed, controlled, monitored and managed within approved risk appetites and reported through agreed governance routes in line with delegated authorities. The Company's RMF is aligned to the Ultimate Parent's RMF but has been adopted in a way that considered the Company's own risk profile and proportionality principles to recognise the Company's size and low level of complexity. The diagram below sets out the overall RMF and its main components. Further details on each component is also covered in the sections below.



- Risk Strategy & Culture

Risk Strategy - the Company's Risk Strategy is to take rewarded risks that are understood, managed effectively and are consistent with the Company's purpose and strategy.

Risk Culture - the Company's Risk Culture is the sum of the Company's shared values of passion, responsibility, growth, courage and difference. Underpinning each of these are the individual and collective attitudes and behaviours that support the realisation of this environment.

- Risk Appetite

Risk appetite is used to define the amount of risk that the Company is willing to accept in the pursuit of enhancing its value and the attainment of strategic objectives.

The Company operates within the boundaries of the Risk Appetite statements approved by the Board of Directors as follows:

- Capital – the Company holds sufficient capital to meet business requirements, including those of key stakeholders in a number of board-approved asset and liability stress scenarios.
- Liquidity – the Company will seek to ensure that it has sufficient liquidity to meet its financial obligations under a range of board-approved scenarios.
- Shareholder Value – the Company only has appetite for risks that are rewarded, adequately understood, and controlled, and consistent with its strategy.
- Control – the Company will, at all times, operate a strong control environment to ensure compliance with all internal policies, applicable laws and regulations, in a commercially effective manner.
- Conduct – the Company maintains the highest conduct standards which are in line with cedant, market, and regulatory expectations. The standards are aligned to the BMA Code of Conduct. Any deliberate or negligent actions leading to unfair customer outcomes, poor market conduct, reputational damage or regulatory censures are not acceptable. If unfair outcomes should arise, the Company will put it right in a fair and prompt manner.
- Sustainability – the Company will deliver on its sustainability commitments to foster responsible investment, reduce our environmental impact, follow our corporate purpose and be a good corporate citizen.

- Risk Universe

A key element of effective risk management is ensuring that the business understands and identifies the material key risks it faces. The Company's Risk Universe summarises the comprehensive set of risks to which the Company is exposed. The profile of each is an assessment of the impact and likelihood of those risks crystallising and the Company failing to achieve its strategic objectives. Changes in the risk profile are influenced by the commercial, economic and non-economic environment and are identified, assessed, managed, monitored and reported through the Company's RMF processes.

The Risk Universe presents the complete set of risks to the Company in increasing levels of granularity, i.e. Level 1 risks are the high level risk categories, Level 2 risks are the components of these categories and, in some instances, Level 3 risks are included, where considered necessary, as sub-components.

Level 1, the highest Risk Universe category, includes:

- Strategic risk
- Sustainability risk
- Market risk
- Credit risk
- Financial Soundness risk
- Insurance risk
- Operational risk

- Risk Governance and Organisation

The RMF delivers a consistent three lines of defence model with clearly defined roles and responsibilities for all components. Risk accountability and ownership are embedded in the first line with first line assurance teams established to support the business by providing substantiated evidence that controls are fit for purpose. Overall responsibility for approving, establishing and maintaining the RMF rests with the Board. The Board delegates responsibility for the ownership and maintenance of an effective risk management framework to the Board Risk Committee (BRC). The committee is responsible for ensuring that the risks associated with the business activities are identified, controlled, monitored and reported to the BRC and the Board.

First Line: Risk Management

Management of risk is delegated from the Board to the Company's CEO, the ExCo members and through to business managers. The First Line is responsible for implementation of the RMF, ensuring that risks to the Company and its policyholders, shareholders, colleagues and society are identified, assessed, controlled, monitored, managed and reported.

Second Line: Risk Oversight

Independent oversight of risk management is provided by the Company's Risk Function through advice, guidance, review, challenge, opinion and assurance; their views are reported to the Board Risk Committee.

The Company's Risk's purpose and responsibilities are set out in the Risk Mission, Mandate and Plan, which is presented to the Board Risk Committee for approval annually.

Third Line: Independent Assurance

Independent verification of the adequacy and effectiveness of internal controls and risk management is provided by the Internal Audit function, reporting its output to the Board Audit Committee.

- **Risk Policies**

The Company's risk policies support the delivery of the Company's strategy by establishing the operating principles and expectations for managing the key risks to our business. Policies set the detailed risk appetite within which these key risks should be managed and control standards that the business must adhere to in order to support them in operating within the stated risk appetite.

The Company's risk policies:

- Provide management with a framework to ensure that business outcomes are either delivered or an early warning is triggered if this is not going to happen.
- Ensure that the constituent components of the business understand and operate in line with these principles, to an agreed standard of control, within agreed risk appetite limits.
- Demonstrate to our policyholders and stakeholders (regulators, shareholders, non-executive directors etc.) that the company has a framework that supports a well-run business.
- Provide management with an understanding of the overall control framework against which control reporting and additional assurance activity can be planned and executed.

The Risk Policies are mapped to each of the relevant Risk Universe categories to ensure complete coverage of all material risks.

- **Emerging risk**

The RMF defines an emerging risk (or opportunity) as an event that is perceived to be potentially significant but is not yet fully understood. Mitigating action may not be necessary until further information is known about the impact. Emerging risks could be either completely new risks or connected with existing risks in unfamiliar conditions.

The distinction between a risk and emerging risk is predominantly in the time horizon, with emerging risks generally being medium to longer term in nature. In many cases the potential impact may not be clear yet and may change over time.

The Company considers Emerging risks within its quarterly CRO risk report covering Operational, Financial and Strategic risks.

- Strategic risk

Strategic risks threaten the achievement of the Company's strategy through poor strategic decision-making, implementation, or response to changing circumstances. The Company recognises that core strategic activity brings with it exposure to strategic risk. However, the Company seeks to proactively review, manage and control these exposures. The Company's strategy and business plan are exposed to:

- External events that could prevent or impact the achievement of the strategy, including regulatory change;
- Events relating to how the strategy and business plan are executed;
- Events that arise as a consequence of following the specific strategy chosen.

- Risk and Capital models

Currently, the BMA's Bermuda Solvency and Capital Return template is used for calculating the Bermuda Solvency Capital Requirement ("BSCR") and an Excel model is used for stress and scenario testing. Appropriate risk policies have been put into place, which set out the standards that must be satisfied to demonstrate robust model risk management. Further model risk governance frameworks have been developed to meet enhanced governance requirements in line with BMA expectations.

- Risk and Control Processes & Reporting

The identification, assessment, management and reporting of risks, including learning lessons from incidents, is undertaken across the three lines of defence, and reported through business and management committees to the relevant Boards and Committees and the Ultimate Parent (for information / update purposes).

- ii. A description of the risk management process and process to effectively identify, measure, manage and report on risk exposure.

The Company produces a CISSA report. The CISSA plays an important role in supporting strategic decision-making and strategy development at the Company's Board and management committees. The main objectives of the CISSA process are to:

- Understand PRL's expected risk profile covering duration of PRL strategic plan (5 years) and potential risk exposures using Phoenix Group's economic calibration of losses;
- Determine overall solvency needs, measured in terms of Bermuda Solvency Capital Requirements ("BSCR"). Own Funds available to cover BSCR and associated regulatory solvency coverage ratio;
- Understand how the expected risk profile changes under difference adverse scenarios and those adverse scenarios under which PRL would breach its Risk Appetite and Limits, focussing on solvency needs and excess Own Funds above Capitalisation Target at 200% BSCR;
- Determine mitigation or recovery management actions available to be taken if Risk Appetite and/or Risk Limits are breached; and
- Help inform and support the business, capital and investment strategies

The outcome of the CISSA will help inform strategic decision making in areas such as capital management, risk optimisation, hedging, Asset Liability Management ("ALM") practices and investment decision. These outcomes and the CISSA process will be communicated to all appropriate levels of the business (including the Board approvals).

The core principle of the Company's CISSA is that it is not a single annual exercise but a set of individual inter-linked risk, capital and strategic processes that occur throughout the year. These processes form part of the CISSA process cycle, shown below.



- **Strategy and Business Plan** – Delivery of the strategy and business plan exposes Phoenix Re to risk.
- **Risk exposure and appetite** – The Board expresses appetite to risk it is willing to accept in pursuit of strategic and business plan objectives
- **Risk Capital Assessment** – Capital requirements reflect the risk profile of the business.
- **Risk Management and Monitoring** – Risk policies manage the risks in line with appetite. Risk reporting provides ongoing oversight of risk exposures.
- **Stress and Scenario Testing** – The Stress and Scenario Testing ('SST') programme provides insight into principal risks across a continuum of plausible stress environments.
- **CISSA Reporting (including CISSA Report)** – Provides a forward-looking assessment of the risk and capital position in light of the outputs from key CISSA processes. The CISSA Report aims to inform strategic decision making, stress testing, capital management, and business planning processes.

- iii. A description of the relationship between the solvency self-assessment, solvency needs, and capital and risk management systems

Refer to ii above.

- iv. A description of the solvency self-assessment approval process including the level of oversight and independent verification by the board and senior executives

Refer to ii above.

d) Internal Controls

Internal Controls Framework

The Company's Internal Control Framework places reliance on the effective operation of a 'Three Lines of Defence Model', which is outlined in section c).i 4 above.

The following five key elements are required in order to ensure the effective operation of the Internal Control Framework thereby enabling all Three Lines of Defence to fully discharge their responsibilities:

- Control Objectives: Defined within risk policies for each risk to ensure that there is a clear articulation of the aim or purpose of a control (or suite of controls) in managing the risk within its defined risk appetite.
- Key Controls: The identification of the key controls within the business that meet the control objectives.
- Self-Assessment: The assessment of the operating and design effectiveness of each Key Control is performed by designated control owners in accordance with the Risk and Control Self-Assessment ("RCSA") process.
- Control Assurance Program: Implementation of a proportionate program of independent controls assurance activity by the First Line supported by further risk review by and assurance activity in the Second and Third Lines:
 - Second Line – Risk reviews that provide independent assurance regarding First Line adherence to the RMF and effectiveness of the Internal Control Environment, and sample testing of the integrity of completed Key Control assessments;
 - Third Line – Independent assessments to provide assurance that all significant risks have been identified and appropriately reported and opining as to whether they are adequately controlled.
- Risk and Control Management Information reporting: Reporting on inherent and residual risk profiles and Key Control performance to

provide assurance to stakeholders confirming that controls are operating as expected or highlighting exceptions as required. This in turn enables the data to be incorporated and referenced in risk reporting to appropriate management committees and Boards.

Compliance Function

The Compliance Oversight requirements of the Compliance function are delivered by the Compliance team which sits within the Risk function. This is an independent function in the Second Line and provides assurance to the Board that the Company is operating within a compliant framework. Whilst compliance with regulation remains the responsibility of senior management assigned to specific roles, the Compliance function ensures that the appropriate mechanisms exist to support management in discharging their responsibilities to this end.

e) Internal Audit

The primary role of the Company's Internal Audit function is to support the Board and Executive Management to protect the assets, reputation and sustainability of the organisation. This is achieved by assessing whether all significant risks are identified and appropriately reported, assessing whether they are adequately controlled and challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

Internal Audit's scope is unrestricted and there are no aspects of the organisation which it is prohibited from auditing. Key business risk areas and industry themes, identified both internally and externally, are prioritised to receive more extensive coverage, regular ongoing review and opinion formation.

The Internal Audit function is co-sourced to PricewaterhouseCoopers Advisory Limited. The Internal Audit function reports directly to the Audit Committee. The day to day performance of Internal Audit procedures is directed, reviewed and overseen by the CEO.

Internal audit plans, and material changes to plans, are approved by the Company's Audit Committee. Internal Audit forms an independent view of whether the key risks to the organisation have been identified, including emerging and systemic risks, and assesses how effectively these risks are being managed. Internal Audit's independent view is informed, but not determined, by the views of management and the Risk function. In deciding the audit plan, Internal Audit focuses on areas where it considers risk to be higher and will not necessarily cover all risk universe scope areas every year.

The Ultimate Parent operates a risk-based oversight model, to ensure the activities of the Company's Internal Audit functions meets their Internal Audit standards (which are aligned to Chartered Institute of Internal Audit standards).

f) Actuarial Function

The Chief Actuary has overall responsibility for the actuarial function. The actuarial function is responsible for:

- the calculation of:
 - technical provisions and capital requirements, in compliance with BMA regulations and guidance
 - IFRS liabilities, in accordance with accounting policy
 - technical provisions and capital requirements under Solvency II, for intra-group reportingin all cases ensuring appropriateness of the assumptions, methodologies, models and quality of the underlying data
- identifying, analysing and monitoring risks and contributing to the effective implementation of the RMF, particularly in relation to capital management, asset-liability management, insurance risk, model risk, and liquidity risk
- pricing and product design, and assessment of risk mitigation techniques
- providing insight into the capital efficiency and risk assessment of strategic initiatives and new business opportunities
- overseeing investment decisions with a view to ensuring the resilience of the regulatory balance sheet
- recommending actions to ensure the solvency coverage ratio remains within the risk appetite determined by the Board

The Chief Actuary is a member of the Executive Committee (ExCo).

The Approved Actuary of the Company is James Claxton, a Partner at EY Bermuda Ltd. The Approved Actuary is responsible for opining on the reasonableness of the calculation of the technical provisions and its compliance with Bermuda regulations.

g) Outsourcing

The Company utilises external vendors to provide support services to its business functions, such as human resources, information technology, insurance services and audit. These third-party suppliers are contracted by PMS, an affiliate of the Company.

The Company's procurement processes align to the RMF policy controls and ensure due diligence is completed on all outsourced services managed by third-parties. Due diligence outcomes are based on a risk-based approach. Criteria include assessing each vendor and categorising as either low value/low risk or high value/high risk. Additionally, vendor background, credit, and sanctions checks are performed, as well as an information security review. Following all due diligence criteria being met, a legal review is performed prior to entering into any third party agreement.

h) Material Intra-Group Outsourcing

The Company is a regulated reinsurance entity with no direct employees. Employees are employed by PMS, which also provides operational support and services such as financial, actuarial, operations, risk management, compliance and legal services. The Company also receives support from individuals employed within the wider Phoenix Group. Details of the services provided, fees, internal controls and service-level agreements, are governed by MSA's and reviewed annually.

vi. **RISK PROFILE**

a) Material Risks to which the Company is Exposed During the Reporting Period

The most material risks facing the Company are as follows:

- Strategic risk

There is a risk that factors affecting cedants, such as risk appetite, ability to deliver their business plan (upon which Phoenix Re is reliant) and local regulatory considerations (including various approvals necessary to support the business plan), impact the ability and/or timescales to transact. This therefore will have an impact on the Company's ability to deliver its own business strategy, including timing of delivery. At this stage of the Company's growth, the strategic risk has been risk accepted by Phoenix Re.

- Credit risk and Market risk (including Concentration risk)

Almost all of the Company's assets are invested in a diversified portfolio of publicly traded bonds (government, supranational, and corporate) with an investment grade rating (ie BBB- or higher) from an approved external credit assessment institution, denominated in the same currency as the Company's liabilities (ie in euro).

This asset class is inherently exposed to the risks of:

- bond issuer default
- credit rating downgrades
- credit spread widening
- concentration risk
- asset/liability matching and interest rate movements

To manage these risks, portfolio level and single issuer limits are in place, together with limits in respect of asset/liability mismatch. The limits vary by credit rating, sector and geographic region so as to limit exposure from adverse market events. Where appropriate, actions are taken to trade out of holdings that are judged to have an elevated risk of default or downgrade. The Company uses an outsourced asset manager, with oversight and monitoring by the Interim CIO and Chief Actuary.

Market and Credit risk policies are in place with quarterly controls self reporting and oversight/monitoring by Board Investment and Risk Committees.

- Expense risk

The risk to the Company of a significant increase in expenses or expense inflation is mitigated by the Intercompany Agreement, under which the Company pays a fee (expressed as a percentage of assets under administration and a percentage of premiums received) and in return receives services including Finance & Actuarial, Risk, Asset Management, Operations, Legal, IT, Local Human Resources support, Internal Audit, Project & Consultancy, Governance & Corporate Secretarial. The Company remains responsible for certain other expenses, including regulatory fees and external audit fees, and the Company is exposed to the risk of increases in these costs.

- Operational risk

The Company is exposed to operational risk in several areas. The Company has implemented a framework of internal controls to minimise material loss from operational risk events. Appropriate risk policies are in place together with operational risk/incident reporting. These cover the following operational risks:

- HR
- Health and Safety
- Third party management
- Information Security/Management/Technology
- Model risk / End User Computing
- Business Resilience
- Corporate Governance
- Legal
- Data protection
- Financial crime
- Financial controls & reporting

The Company also monitors its Liquidity and Insurance risks but these are not significant at this time.

b) Risk mitigation in the Company

Covered in i(a) above.

See also the section headed 'Risk Management and Solvency Self-Assessment' earlier in this document.

c) Material risk concentrations

Currently, Phoenix Re risk is concentrated in Market and Credit risks with c.75% of its undiversified BSCR held in respect of these two risks combined.

d) Investment in Assets in Accordance with the Prudent Person Principle of the Code of Conduct

The Company's market risk strategy is guided by the "prudent person" principle as specified in paragraph 5.1.2 of the BMA Insurance Code of Conduct, in that the Company only invests in assets and instruments where the risks can properly be identified, measured, monitored, managed and controlled. Exposures to counterparty concentrations are managed through defined limits and ratings. The Company invests its portfolio of assets according to prudent person principle restrictions identified in its investment guidelines which are designed to promote the liquidity, security and quality of the portfolio. Returns on such assets are assessed in relation to their risk. The only permitted investments are fixed income securities, short-term deposits and units in liquidity funds.

e) Stress Testing and Sensitivity Analysis to Assess Material Risks

As part of the CISSA, the Company performs a number of stress and scenario tests. The stresses are carried out looking at the impact of a move in one or a number of risk factors. The stresses are chosen to focus on areas where greater understanding is considered more beneficial and are also chosen to ensure that the key risks are well represented. The stresses do not allow for management actions when calculating the sensitivities.

The stresses include:

- Bond spreads widening default and downgrade scenarios to better understand the behaviour of the asset portfolio.
- Interest rate scenarios to help understand the interactions between assets and liabilities.
- Insurance Risks: Longevity stress tests.
- Expense Risk stress test.
- Strategic Risks: Consideration around risk of dependency on the Group given the Company's mandate to support Group strategy and changes in the Group's strategic direction having potential adverse impacts on the Company.

In addition, the Company performs multivariate stresses and plausible and severe downside scenarios modelling.

In all stress and scenario tests, BSCR ratio of the Company are within its operating target.

f) Any other material information

No other material information.

vii. **SOLVENCY VALUATION**

a) Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class

All of the Company's investment assets are publicly traded in active markets. The fair value of each asset is based on quoted market prices at the period end supplied by recognised pricing services.

The Company also has Debtors arising out of assumed business at December 31, 2024. The asset is valued at fair value which is equal to the amount due from the Cedant. The associated financial liability would be released in the event of non-payment.

b) Valuation Bases, Assumptions and Methods to Derive the Value of the Technical Provisions

The Technical Provisions is defined as the sum of the Best Estimate Liability and the Risk Margin. These have been calculated in accordance with BMA regulations and guidance.

	2024	2023
	€000	€000
Best Estimate Liability	434,035	361,120
Risk Margin	2,157	1,709
Technical Provisions	436,191	362,830

The Best Estimate Liability is determined using the BMA's Scenario Based Approach, taking best estimate liability cashflows (including expenses) and the projected performance of the Company's assets under the biting interest rate stress scenario. The interest rate scenarios are prescribed by the BMA.

The Risk Margin is determined using the cost of capital approach. It is calculated as the present value (using a risk-free term structure) of the projected BSCR in respect of non-hedgeable risks (insurance risk, operational risk, and expense risk, allowing for diversification between these risks) multiplied by the cost of capital. The methodology, the risk-free term structure, and the cost of capital are all prescribed by the BMA.

c) Description of Recoverable from Reinsurance Contracts

The Company does not have any ceded reinsurance.

d) Valuation Bases, Assumptions and Methods to Derive the Value of Other Liabilities

The Company does not have any other liabilities.

e) Any other Material Information

No other material information.

viii. **CAPITAL MANAGEMENT**

a) *Eligible Capital*

i. *Capital Management Policy and Process for Capital Needs - How Capital is Managed and Material Changes During the Reporting Period:*

The Board has established risk appetite statements to set the objective for capital management. The Company aims to maintain an appropriate buffer of capital resources over the minimum regulatory capital requirements. The Board sets a quantitative risk appetite for regulatory capital requirements and the Company monitors the capital resources relative to the risk appetite.

The Board is responsible for setting the strategy.

Each year the Company prepares a three-year business plan which incorporates capital planning and dividend projections, consistent with the Ultimate Parent's business plan, to forecast how the capital position is expected to develop over the business planning period and consider the impact of the strategy on the capital position. Performance against the capital plan is monitored on a regular basis and is used to inform decisions on the capital structure and dividend policy.

The Company was authorised by the BMA in December 2022 under conditions which permitted the Company to hold less capital than both the Enhanced Capital Requirement ("ECR") and the Minimum Solvency Margin ("MSM") (subject to holding authorised share capital of no less than US\$250,000) initially and until the time of a first reinsurance transaction. The Company wrote its first reinsurance contract on 29 November 2023. To support this transaction the paid in capital was increased to €37m.

ii. *Eligible Capital Categorized by Tiers in Accordance With Eligible Capital Rules*

Tier 1 Capital: €35.55m

The Company's available capital consists of issued share capital, contributed surplus and retained earnings.

iii. *Eligible Capital Categorized by Tiers in Accordance to the Eligible Capital Rules Used to Meet the ECR and the MSM Requirements of the Insurance Act*

All capital requirements for ECR and MSM are met.

iv. *Confirmation of Eligible Capital That is Subject to Transitional Arrangements*

Not Applicable

v. *Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR*

There are no factors affecting encumbrances which affect the availability and transferability of capital to meet the ECR.

vi. *Identification of Ancillary Capital Instruments Approved by the Authority*

Not Applicable

vii. Identification of Differences in Shareholder's Equity as Stated in the Financial Statements Versus the Available Capital and Surplus

Not Applicable

b) Regulatory Capital Requirements

i. ECR and MSM Requirement at the End of the Reporting Period

As at December 31, 2024, Phoenix Re had an ECR coverage ratio of 338% with €35.5 million of Total Statutory Economic Capital and Surplus and an Enhanced Capital Requirement of €10.5 million.

ii. Identification of Any Non-Compliance with the ECR and the MSM

The Company was compliant with the ECR and the MSM as at December 31, 2024.

iii. A Description of the Amount and Circumstances Surrounding the Non-Compliance, the Remedial Measures and Their Effectiveness

Not Applicable

iv. Where the Non-Compliance is not Resolved, a Description of the Amount of the Non-Compliance

Not Applicable

c) Approved Internal Capital Model

The Company does not have an Internal Capital Model.

ix. SUBSEQUENT EVENTS

On 31st of December 2024, Allison Pedro, resigned as CFO. Subsequent to her resignation Angus Scott was appointed as CFO.

On 7 January 2025, the Company received a loan of €8m from Phoenix Holdings (Bermuda) Limited. The loan was partially repaid on 23 January 2025 and was fully repaid on 20 February 2025. This temporary loan enabled the Company to better manage its asset-liability cashflow matching and improve balance sheet resilience.

The Company's ultimate shareholder is undertaking a review of the strategic objectives for Phoenix Re Limited, including a decision not to proceed with any additional reinsurance transactions, and is considering potential options for either disposal or orderly wind-up of the Company. The review is expected to conclude within three months of the approval of this report.