

## Glossary

The following definitions apply throughout the Annual Report and Accounts unless the context otherwise requires. All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof. Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

**ABIR** The Association of Bermuda Insurers and Reinsurers (ABIR) represents the public policy interests of its members.

**Additional case reserves (ACRs)** ACRs represent Conduit's estimate for losses related to specific contracts which Conduit believes may not be adequately reported, or adequately covered in the application of IBNR.

**Admission** The admission of all of CHL's Common Shares (1) to the standard listing segment of the Official List of the UK Financial Conduct Authority, and (2) to trading on the London Stock Exchange's main market for listed securities which occurred on 7 December 2020.

**Aggregate excess of loss (XOL) reinsurance** A form of excess of loss reinsurance in which the excess and the limit of liability are expressed as annual aggregate amounts.

**AGM** Annual General Meeting of the CHL shareholders.

**AM Best** a global credit agency, news publisher and data analytics provider, focusing on the insurance sector.

**AM Best rating** (i) in respect of financial strength: AM Best's independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations, and (ii) in respect of long-term issuer credit: AM Best's independent opinion of an entity's ability to meet its ongoing financial obligations.

**BMA** Bermuda Monetary Authority.

**Board of Directors** or **Board** unless otherwise stated refers to the CHL Board of Directors.

**Book value per share** Calculated by dividing the value of the total shareholders' equity by the sum of all Common voting shares outstanding.

**Broker** An intermediary who negotiates contracts of insurance or reinsurance, receiving a commission for placement and other services rendered.

**Brokerage** The commission that is payable to a broker for placing an insurance or reinsurance contract with an insurer or a reinsurer.

**BSCR** Bermuda Solvency Capital Requirement.

**BI** Business Interruption Insurance coverage that replaces income lost in the event that business is halted due to direct physical loss or damage.

**Cedant** A ceding insurer or a reinsurer that writes and issues a policy to an (re)insured and contractually transfers (cedes) a portion of the risk to a reinsurer or retrocessionaire.

**CEO** Chief Executive Officer.

**CFO** Chief Financial Officer.

**CHL** Conduit Holdings Limited.

**Claim** A request by an insured or reinsured for indemnification by an insurance or reinsurance company for loss incurred from an insured peril or event.

**CML** Conduit MIP Limited.

**Combined ratio** The sum of the net loss ratio, reinsurance operating expense ratio and other operating expense ratio.

**Common Shares** Common Shares of CHL of \$0.01 par value per share.

## Glossary continued

**Company** Conduit Holdings Limited (CHL).

**Coverholder** A coverholder is a company or partnership authorised by a managing agent to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate managed by it in accordance with the terms of a binding authority.

**Conduit** The brand for Conduit Holdings Limited and all associated group companies.

**Conduit Re** The brand for all Conduit's reinsurance business.

**CRL** Conduit Reinsurance Limited.

**CRO** Chief Risk Officer.

**CRSL** Conduit Reinsurance Services Limited (previously named Conduit Marketing Limited).

**CSL** Conduit Services Limited.

**CUO** Chief Underwriting Officer.

**Diluted earnings (loss) per share** Calculated by dividing comprehensive income (loss) for the year attributable to shareholders by the weighted average number of Common Shares outstanding during the year, excluding treasury shares, plus the weighted average number of Common Shares that would be issued on the conversion of all potentially dilutive equity-based compensation awards.

**Dividend yield** Calculated by dividing the annual dividends per Common Share by the Common Share price on the last day of the given year and expressed as a percentage.

**DSBP** The deferred share bonus plan is an equity-based incentive plan where a certain percentage of employee bonuses is deferred into nil-cost Common Shares.

**DTR** The Disclosure Rules and Transparency Rules sourcebook as issued by the FCA.

**Earnings (loss) per share (EPS)** Calculated by dividing comprehensive income (loss) for the year attributable to shareholders by the weighted average number of common shares outstanding during the year, excluding treasury shares.

**EBT** The Conduit Group Employee Benefit Trust is a trust established for the sole purpose of administering Conduit's equity-based incentive schemes.

**ECR** Enhanced capital requirement. Under the BSCR Model, the reinsurer's minimum required statutory capital and surplus is referred to as the enhanced capital requirement (ECR). The ECR is the greater of the calculated BSCR and the minimum solvency margin (MSM).

**Estimated ultimate premiums written** Premium reported by ceding companies, excluding reinstatement premiums, supplemented by management's judgement on the estimate provided.

**Excess of loss (XOL, XL) or non-proportional** Reinsurance that indemnifies against all or a specified portion of loss and loss expenses in excess of a specified monetary amount or other threshold, known as the cedant's retention or reinsurers attachment point, generally subject to a negotiated reinsurance contract limit.

**Executive Group** is comprised of the CEO, CFO, CRO, CUO, Chief Operations Officer, General Counsel and Chief Actuary.

**FCA** Financial Conduct Authority.

**FVTPL** Fair value through profit or loss.

**Gross premiums written (GPW)** Amounts payable by the cedant before any deductions, which may include taxes, brokerage and commission.

**IAS** International Accounting Standard(s) are created by the IASB for the preparation and presentation of financial statements.

**IASB** International Accounting Standards Board.

## Glossary continued

**IFRS** International Financial Reporting Standard(s).

**Incurred But Not Reported (IBNR)** Reserve for anticipated or likely losses that may result from insured events which have taken place, but which have not yet been reported and/or possible adverse development of previously reported losses.

**IPO** Initial public offering.

**Invested equity** Means the aggregate of initial equity invested in CHL on Admission and equity invested pursuant to any future equity raises by the Company, with the US dollar value of invested equity for the USD MIP Shares being calculated at the spot rate at the time the relevant proceeds of the equity raise were received by the Company.

**Liability for incurred claims (LIC)** Liabilities established by reinsurers to reflect the estimated cost of claims payments and the related expenses that the reinsurer will ultimately be required to pay in respect of reinsurance contracts it has written. The LIC includes the risk adjustment and contractual payments made that are contingent on loss events, such as profit commissions and reinstatement premiums. The LIC is discounted.

**Liability for remaining coverage (LRC)** The liability for remaining coverage represents the balance of premium received, net of acquisition expenses, less the premium income and acquisition expenses amortised in the period.

**LOC** Letter of credit.

**Losses occurring business** Business where the wording stipulates that claims against liability policies can be notified to the Company at any time following the issue of the policy.

**Loss reserve development** The difference between the amount of the liability for incurred claims initially estimated by an insurer or reinsurer and the amount re-estimated in an evaluation at a later date.

**LSE** London Stock Exchange.

**LTIP** The long-term incentive plan is an equity-based award plan granted to employees as nil-cost conditional award over Common Shares in CHL.

**Market value** Refers to (1) the market capitalisation of CHL calculated by reference to the six-month average closing share price prior to the date of the relevant exchange of MIP Shares for Common Shares of CHL (adjusted to take into account any capital events or distributions during that period); or, (2) in the case of a takeover of CHL, the value of the consideration for the takeover, or (3) in the case of a sale of CHL, the net sale consideration, or (4) in the case of the liquidation of CHL, the amount available for distribution in the liquidation, in each case taking into account any prior dividends, returns of capital or other distributions. The market value for the USD MIP Shares will be calculated in US dollars based on the prevailing spot rate on the date of the relevant share price and in the case of a takeover of CHL, or sale or liquidation of CML, the latest reasonably practicable spot rate prior to the date of the exchange of MIP Shares for Common Shares of CHL as determined by the Remuneration Committee of CHL.

**Net loss ratio** Ratio of net losses and loss related amounts expressed as a percentage of net reinsurance revenue in a period.

**Non-admitted business** Business written by a reinsurer not licensed by a particular state or jurisdiction, but nevertheless able to sell and service reinsurance policies to cedants located within that state or jurisdiction.

**OECD** Organisation for Economic Co-operation and Development.

**Other operating expense ratio** Ratio of other operating expenses expressed as a percentage of net reinsurance revenue in a period.

**Overriding commission (OVR)** A commission that is paid by a reinsurer over and above the cedant's original acquisition costs.

**PML** Probable Maximum Loss.

## Glossary continued

**Quota share reinsurance** A form of proportional reinsurance in which the reinsurer assumes an agreed percentage of each insurance contract being reinsured.

**Retention** The amount of the loss which is retained by the cedant prior to the attachment of a reinsurance programme.

**Return on Equity (RoE)** RoE is calculated as the profit for the period divided by the opening total shareholders' equity.

**Risk-adjusted rate change** Reflects management's assessment of net rate changes of our renewal business net of the impact of claims inflation, exposure changes, and changes in any other terms and conditions.

**Senior executive(s)** refers to the CEO and CFO and Chief Operations Officer.

**State(s)** refers to one or more of the fifty states making up the United States of America.

**TCFD** The Task Force on Climate-Related Financial Disclosures (TCFD) was created by the G20-established Financial Stability Board in December 2015 to improve the quality, quantity and consistency of climate-related disclosures. To achieve this, it developed a reporting framework which consists of a number of recommendations structured into four pillars: governance, strategy, risk, and metrics and targets.

**The UK Code** The UK Corporate Governance Code, monitored by the UK Financial Reporting Council.

**Total shareholder return (TSR)** TSR is calculated as the percentage change in Common Share price over a period, after adjustment for Common Share dividends.

**Treaty reinsurance** A form of reinsurance in which the ceding company makes an agreement to cede certain business and the reinsurer, in turn, agrees to accept all business qualifying under the agreement, known as the 'treaty'.

**Ultimate loss ratio** The ratio of ultimate losses and loss-related amounts to total reinsurance revenue received for all policies written in a given period.

**UK Listing Rules (UKLR)** are a set of regulations applicable to any company listed on a United Kingdom stock exchange, subject to the oversight of the UK Financial Conduct Authority.

**US** refers to the United States of America.

**VaR** Value at Risk.