



Financial Condition Report 2023 Year-End

BF&M Limited

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Executive Summary and Declaration

BF&M Limited (“the BF&M Group” or “the Group”) is presenting a Financial Condition Report (“FCR”), based on its financial position as at 31 December 2023.

The Group FCR encompasses information in relation to the insurance entities within the Group that are regulated by the Bermuda Monetary Authority (“BMA”) and which would otherwise be required to submit an FCR under current regulations. No separate FCR has been prepared for BF&M Life Insurance Company Limited and BF&M General Insurance Company Limited. Separate legal entity information has been disclosed for these entities where appropriate. Where separate legal entity information has not been provided, the Group level disclosure should be viewed as applicable to that legal entity.

The mission of the BF&M Group is to strengthen and further develop its position as the leading insurer in the jurisdictions in which it does business, through a professional, innovative and caring approach to meeting all of the insurance needs of the communities it serves. Through the excellence of its service, BF&M is committed to satisfy the needs of its policyholders, the aspirations of its employees and the requirements of its shareholders.

BF&M believes that nimbleness and readiness for change are essential qualities of being a leading insurer. The Group adopts a rigorous approach to examining its processes, policies and procedures. This includes developing and promoting its internal talent, as well as strategically recruiting external talent to better implement and manage the changes that are and will be necessary.

2023 was a significant year for BF&M, overcoming numerous obstacles to mark a period of notable achievement including record results. As a group of companies, the Group remains steadfast in its commitment to operational excellence, exceptional service, disciplined underwriting, and careful risk management, all of which are fundamental to the Group’s ongoing success.

For the year, the Group reported net income of \$27.2 million, capitalising on improving financial market conditions and higher interest rates to deliver strong core investment income. During an active hurricane season, our Property & Casualty business had a very strong year, which is a testament to our highly diversified operations across the Caribbean islands, our deep understanding of the jurisdictions in which we operate, and our robust risk management approach. The Group also successfully navigated challenges that included increased claims activity in our health business, difficult reinsurance market conditions, and the ever-present threat of climate change.

BF&M remains extremely well capitalized with Total Equity at 31 December 2023 of \$306.9 million against a minimum capital requirement of \$112.5 million. Based on its strong capitalisation, the Board of Directors increased the per share quarterly dividend from 24¢ per share increased to 28¢ per share in June 2023.

Declaration on the Financial Condition Report

To the best of our knowledge and belief, the Financial Condition Report fairly represents the financial condition of BF&M Limited, BF&M Life Insurance Company Limited, and BF&M General Insurance Company Limited in all material respects as at 31 December 2023.



Abigail Clifford
Group President and Chief Executive Officer



Bruce Walker
EVP, Group Chief Financial Officer

1. Business and Performance

A. Group overview

BF&M Limited (the “Group”) was incorporated in Bermuda on 5th August 1991, as a holding company, and is a public limited company, listed on the Bermuda Stock Exchange.

The Group’s principal business is insurance. It determines and charges a premium to policyholders which, taken as a pool with all other policyholders, is expected to cover underwriting costs and claims which may take a number of years to settle. The business risks of insurance reside in determining the premium, settlement of claims, estimation of claim costs and management of investment funds.

The Group is involved in property, casualty, motor, marine, life, health and long-term disability insurance, annuities, the management and investment of pension plans, as well as the rental of office space in buildings owned by the Group.

This FCR is prepared on a Group basis and provides additional specific disclosure related to the following entities:

- BF&M General Insurance Company Limited (“BF&M General”)
- BF&M Life Insurance Company Limited (“BF&M Life”)

The group structure as at 31 December 2023 is shown below:



BF&M General and BF&M Life are both 100% owned by the Group and are the only Bermuda-insurance licensed subsidiaries which fall within the scope of this report.

BF&M General has several subsidiaries including Island Heritage Insurance Company Ltd. (“IHIC”), an insurance company which is based in the Cayman Islands. Numerical information related to BF&M General is presented on a consolidated basis within this FCR.

The following table provides additional details with respect to Bermuda insurance licenses held, country of operation and approved auditor for each entity:

<i>Licensed Entity Name</i>	<i>Insurance License Class</i>	<i>Principal Country of Operation and Incorporation</i>	<i>Auditor</i>
BF&M Group	Group	Bermuda	PwC
BF&M General	Class 3A	Bermuda	PwC
BF&M Life	Class 3B Long Term Class D	Bermuda	PwC

Group supervisor

The supervisor of the Group and individual entities listed in the table above is:

Bermuda Monetary Authority
 BMA House
 43 Victoria Street
 Hamilton Bermuda

Name and contact details of the Group's auditor

PricewaterhouseCoopers Ltd.
 16 Church Street
 Hamilton Bermuda

B. Insurance business written

The BF&M Group underwrites a diversified range of insurance products. In addition to BF&M General and BF&M Life, the Group also comprises entities registered outside of Bermuda writing insurance business, which have not been reported on an individual basis within this report as they fall outside its scope.

Insurance revenue for the year ended 31 December 2023, as reported under IFRS, are listed on the following page. Insurance revenue for other Group entities which fall outside the scope of this FCR have not been listed individually.

	<i>BF&M Group</i>		<i>BF&M General</i>		<i>BF&M Life</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Insurance Revenue	377,541	355,207	249,076	236,806	130,187	119,708
Insurance Service Result	27,529	30,449	27,957	19,123	(1,331)	10,688

BF&M Group					
<i>\$'000</i>	<i>2023</i>		<i>2022</i>		<i>2022</i>
	<i>Insurance Revenue</i>	<i>Insurance Service Result</i>	<i>Insurance Revenue</i>	<i>Insurance Service Result</i>	
Caribbean	185,319	12,815	177,055		8,068
Bermuda	192,222	14,714	178,152		22,381
Total	377,541	27,529	355,207		30,449

I. BF&M General

BF&M General writes property and casualty business, including personal and commercial fire, windstorm, burglary, public liability, marine, special types, personal automobile, personal auto-cycle, workers' compensation, and commercial vehicles.

Insurance revenue in both Bermuda and the Caribbean grew moderately year over year across all lines of business. The Company focuses on underwriting profit and continues to push for increased primary rates to ensure that premiums are sufficient to cover the increasing costs of reinsurance.

Insurance revenue by line of business and by geographical region for the year ended 31 December 2023 are as follows:

BF&M General				
\$'000	2023	2023	2022	2022
	Insurance Revenue	Insurance Service Result	Insurance Revenue	Insurance Service Result
Property	214,595	20,374	204,881	13,725
Casualty	8,719	2,895	7,784	3,201
Motor	21,348	4,682	20,112	2,434
Marine	4,414	6	4,029	(237)
Total	249,076	27,957	236,806	19,123

BF&M General				
\$'000	2023	2023	2022	2022
	Insurance Revenue	Insurance Service Result	Insurance Revenue	Insurance Service Result
Caribbean	185,640	12,815	177,055	8,068
Bermuda	63,436	15,142	59,751	11,055
Total	249,076	27,957	236,806	19,123

II. BF&M Life

BF&M Life writes business on both a group and individual basis, including health and accident, life, and disability. BF&M Life also sells annuity and pension products.

Insurance revenue per line of business and per geographical region for the year ended 31 December 2023 are as follows:

BF&M Life				
\$'000	2023	2023	2022	2022
	Insurance Revenue	Insurance Service Result	Insurance Revenue	Insurance Service Result
Life	19,940	4,341	18,954	6,910
Health	110,247	(5,672)	100,754	3,778
Total	130,187	(1,331)	119,708	10,688

BF&M Life				
\$'000	2023	2023	2022	2022
	Insurance Revenue	Insurance Service Result	Insurance Revenue	Insurance Service Result
Caribbean	5,352	1,264	5,384	391
Bermuda	124,835	(2,595)	114,324	10,297
Total	130,187	(1,331)	119,708	10,688

C. Investment performance

The Group holds a diversified investment portfolio that focuses on asset quality. The portfolio is monitored and reviewed regularly by the Group Investment Committee and by the Board of Directors' Finance, Compensation and Corporate Governance Committee.

Investment guidelines are in place that require the purchase of only investment-grade assets and minimise undue concentration of assets in any single issuer, sector, asset class or credit rating, unless required by local law or regulation. Exception reporting at the Investment Committee level occurs on a quarterly basis where any investment ratings that fall below investment grade are discussed and actioned. This reporting is also made at the Board Finance Committee level.

During fiscal year 2023, falling interest rates resulted in fair value gains being reported for the Group's fixed income securities. The Group works to mitigate volatility by following a disciplined asset liability matching policy for its long-term business so that increases (or decreases) in the fair value of the majority of its fixed income investments are matched with corresponding increases (decreases) in insurance reserves, reducing the net effect on earnings in a particular year. The table below excludes the fair value increase to reserves which offset a portion of the fair value gains on the fixed income assets.

Equity markets provided a healthy positive return in 2023 mainly due to a resilient US and global economy coupled with moderating inflation, resulting in the recording of fair value gains on both the Group's equity and funds' portfolios. The Group's alternative investment funds also recorded fair value gains in 2023. Impairment movements in 2023 were insignificant and included a valuation charge to a call option partly offset by a small impairment reversal (gain) arising from the sale of a foreclosed property.

The table below provides a selected breakdown of the investment portfolio by asset class:

	BF&M Group			BF&M General			BF&M Life		
2023									
\$'000	Balance \$	Return \$	Return %	Balance \$	Return \$	Return %	Balance \$	Return \$	Return %
Fixed income	531,335	17,959	3.38%	37,803	1,521	4.02%	493,531	16,438	3.33%
Mortgages/other	32,177	1,914	5.95%				32,480	1,914	5.89%
Equities and Funds	154,121	1,051	0.68%	58,881	668	1.13%	58,493	383	0.66%
Policy loans/other interests		1,857			412			1,092	
Total	717,632	22,781	3.17%	96,685	2,601	2.69%	584,504	19,828	3.39%
Fair value gains (losses)		26,602			7,304			18,836	
Impairment reversal		(879)						104	
Allocations		(3,678)						(3,678)	
Total		44,827			9,905			35,091	

	BF&M Group			BF&M General			BF&M Life		
2022									
\$'000	Balance \$	Return \$	Return %	Balance \$	Return \$	Return %	Balance \$	Return \$	Return %
Fixed income	498,782	14,388	2.88%	36,055	1,235	3.43%	462,728	13,153	2.84%
Mortgages/other	34,229	2,043	5.97%				34,229	2,043	5.97%
Equities and Funds	128,201	963	0.75%	52,427	558	1.06%	68,845	405	0.59%
Policy loans/other interests	16,294	1,123	6.90%		131		4,293	570	13.29%
Total	677,506	18,517	2.73%	88,482	1,924	2.17%	570,095	16,171	2.84%
Fair value gains (losses)		(84,262)			(10,536)			(73,947)	
Impairments		1,291						1,291	
Allocations		(2,051)						(2,051)	
Total		(66,505)			(8,612)			(58,536)	

D. Other material information

Entity	A.M. Best's Rating	Rating Year
BF&M General	"A" Excellent	2023
BF&M Life	"A" Excellent	2023

IHIC, BF&M General's insurance subsidiary, also received an "A" Excellent rating in 2023.

A.M. Best's ratings are derived from an evaluation of a company's balance sheet strength, operating performance and business profile. Their rating system is designed to provide an opinion of an insurer's financial strength and ability to meet ongoing obligations to policyholders.

2. Governance Structure

The BF&M Group has established a robust governance structure, which forms an integral part of the Group's comprehensive risk management framework and is designed to effectively mitigate reasonably foreseeable material risks. It has been created proportionately, to reflect the nature, scale and complexity of the Group's operations. The Board has ultimate responsibility for maintaining the quality of governance.

The Group has an established risk management function with Terms of Reference for the Board of Directors of the Group ("the Board"), its committees and associated Executive Management Committees. This is supplemented with an organisational structure which contains documented delegated authorities and responsibilities. This facilitates the flow of decision making through the Board, the Executive Committee and Senior Management.

Each principal subsidiary has a separate Board of Directors responsible for the governance of the individual entity. Further details to explain the Group's approach to governance is provided in the following sections for the Group as well as for BF&M General and BF&M Life.

A. Board and Senior Executives

I. Board and Senior Executive team

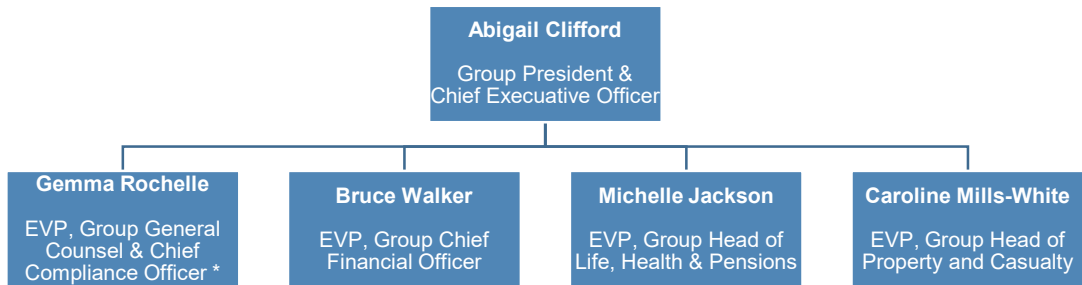
The ultimate responsibility for sound and prudent management of the Group rests with the Board, which meets at least four times a year. All meetings of the Board follow a formal agenda and the proceedings are minuted. Terms of Reference for the Board are in place and are subject to review on an annual basis. A similar structure is in place for both BF&M General and BF&M Life, who meet at least three times a year.

The BF&M Limited Group Board currently comprises of eight Directors, of which seven are Non-Executive directors. BF&M Life Insurance Company Limited has six Directors, of which four are Non-Executive Directors. BF&M General has five Directors, of which three are Non-Executive. The Directors for each entity in scope of this FCR are listed below:

<i>Name</i>	BF&M Group	BF&M General	BF&M Life
L. Anthony Joaquin	.		.
Abigail Clifford	.	.	.
Paul C. J. Markey	.	.	
Gordon J. Henderson	.		.
Nancy L. Gosling	.	.	
Conor O'Dea	.		.
Andrew Lo	.	.	
Jennifer Reynolds	.		.
Caroline Mills-White		.	
Michelle Jackson			.

The organisation chart below shows the structure of the BF&M Group Executive Committee as at 31 December 2023.

BF&M Executive Committee



*Gemma Rochelle was appointed EVP, Group General Counsel & Chief Compliance Officer effective April 1, 2024.

Further details of the experience of key Board members and Senior Executives are provided in section 2B.

Decision making and segregation of responsibilities

Abigail Clifford participates as a Director on each subsidiary Board. This helps to ensure that significant issues and events noted at the subsidiary level are escalated and communicated to Group Management on a timely basis.

L. Anthony Joaquin, the Chairman of the Board is responsible for ensuring that the Board and Management interact effectively. The Chairman and CEO meet regularly to provide updates and information.

Role of the Board

The Board provides oversight over all of BF&M Limited subsidiaries to ensure that the risk management, compliance and internal control framework is embedded across the Group and that business is conducted in a way that protects the BF&M brand and its capital adequacy and requires compliance with all relevant laws and regulations. The Board is accountable for the long-term success of the Group by setting the Group's strategic objectives and monitoring performance against those objectives. In addition, the Board is responsible for setting appropriate strategies and policies, and for providing authority over the Group's risk management and internal controls framework.

Members of the BF&M Limited Board also sit across all subsidiary boards. This provides the ability to escalate reporting up to the full board as needed. Issues relating to subsidiary companies that are impactful for the Group are typically escalated for review by the full Board of BF&M Limited.

In order to facilitate the Board's role, Committees have been established to:

- Oversee key operational areas including underwriting and investments;
- Review and approve significant policies and procedures; and

Review compliance with all relevant laws, regulations, code of conduct, industry standards and guidance notes.

In addition, the Executive Committee supports the Board by:

Managing and executing the day-to-day operations, subject to the mandate established by the Board of Directors and laws and regulations in Bermuda and other relevant jurisdictions;

Developing and implementing an appropriate control environment including those around reporting systems;

Providing recommendations on strategic plans, objectives, key policies, and procedures to the Board of Directors for evaluation and authorisation;

Ensuring that the Board of Directors has accurate and timely information, allowing the Board of Directors to conduct robust and candid discussions on operational performance, strategy, major policies, and to appraise the performance of Management.

Committee structure

Key committees are in place to support the Board of Directors in discharging its responsibilities. Each committee has its own Terms of Reference, which clearly sets out the objectives, authority, composition, organisation, roles and responsibilities of that committee.

There is directorship presence from the Group within each of these committees to facilitate effective communication and consistency. Each of the following key committees are established at the Group level and oversee activities for BF&M General and BF&M Life. Group committees provide oversight over subsidiaries and support the subsidiaries' Boards in carrying out their duties.

These committees include:

- **Audit, Compliance and Corporate Risk Management Committee**
(“**Audit Committee**”)

The Audit committee reports to the Board on, among other things, the robustness of the financial reporting process, the effectiveness of the internal control structure and management of enterprise risks. In addition, it oversees the selection, oversight and remuneration of internal and external auditors and adherence by the BF&M Group to all applicable laws and regulations (including BSX listing regulations). This committee receives a quarterly report from the Group Risk Committee as well as from the Internal Audit and Legal, Compliance and Operational Risk functions. The Audit Committee has the opportunity to hold in-camera sessions with members of the Executive and Internal and External Audit following each meeting.

The Audit Committee meets not less than four times a year and consists of at least four external independent directors. It is required to report to the Board on its activities and make recommendations on its findings.

- **Finance, Compensation and Corporate Governance Committee**
(“**Finance Committee**”)

The Finance Committee reports to the Board on the financial performance and alignment of strategic planning and objectives of the Company, as well as ensuring adherence by the BF&M Group to its Bye-Laws and Investment Guidelines. The Finance Committee assesses the adequacy of the strategic planning process, approves the budget, reviews, considers and approves compensation policies and sets financial performance targets. In addition, this committee is charged with ensuring the Board is aware of matters which may significantly impact the financial condition or affairs of the BF&M Group or its subsidiaries.

The Finance Committee meets not less than four times a year and consists of at least four financially literate independent directors. It is required to report to the Board on its activities and make recommendations on its findings.

The Finance Committee is supported by an internal Group Investment Committee, which is led by the CEO and is comprised of members of senior management. This committee has overall responsibility for the operation and administration of investments by the BF&M Group. The investment committee reports on a

quarterly basis to the Finance Committee to ensure that the Finance Committee is aware of matters which may significantly impact the financial condition or affairs of the BF&M Group.

The Investment Committee terms of reference ensure that there is an appropriate level of Board contribution to, and oversight of, key decisions, and that the day-to-day business is managed effectively. The Investment Committee consists of a clearly defined schedule of matters reserved for the Finance Committee and matters that the Investment Committee is able to manage. The types of matters reserved for the Finance Committee and/or the Board include, amongst other things, approval of investment policies, investment guidelines, matters relating to the group's strategic plan, material transactions and oversight of systems of internal control and corporate governance policies.

Succession planning

Succession planning is part of the strategy of Group Human Resources and is a comprehensive succession review conducted annually by the CEO with reporting to the Group Finance Committee. This includes a plan for the CEO and Senior Management succession, as well as contingency CEO planning. Succession planning may be reviewed by the Board more frequently than annually as deemed appropriate.

Directors are elected or appointed for a full three-year term as detailed in the Company's Bye-Laws. Predefined age and term limits are established in the BF&M Limited Terms of Reference and Directors are expected to retire at the first opportunity for retirement following their 72nd birthday.

II. A description of remuneration policy and practices and performance-based criteria governing the parent Board, Senior Executives and employees

The CEO, Executive Committee and senior management manage employee compensation at the operational level.

Board remuneration

All non-executive directors receive an annual retainer.

Board performance assessment

Annually, Board members are required to complete an evaluation. This comprises a self-evaluation on individual performance and an assessment of the overall Board's performance. Results are compiled and distributed to the Chairman and CEO for review and follow-up discussion.

The self-evaluation assessment reviews commitment, independence, knowledge and skills and relationship and communications. The Board assessment reviews governance, composition, performance, information and several open-ended succession and strategy questions.

Remuneration Policy Statement

The Group's compensation strategy is designed to motivate and reward actions and behaviours of employees to ensure that the long-term priorities of BF&M are achieved. The objectives of the compensation programme include the ability to attract and retain a talented team of individuals, to align pay with individual contributions and the Group's performance, and to ensure alignment and consistency with the Group's rewards philosophy across the organisation.

Compensation includes both fixed and variable components. Base salaries are maintained at competitive levels with the local marketplace and are reviewed annually to ensure alignment with market movements, job scope, responsibilities, roles, experience, skills and knowledge. The variable annual cash bonus is a discretionary, variable performance-based programme designed to tie Group financial performance and individual and team performance. Additionally, the Group's long-term deferred compensation programme is designed to align the interests of our senior leadership to that of our key stakeholders. The target equity award is based on level within the organisation and the size of the equity award is based on actual financial results. Comprehensive compensation reviews are conducted by the Human Resources function annually.

The Finance Committee approves all compensation-related financial targets for the year ahead in the prior performance year. Bonus and equity payouts are based on actual Group performance results approved by the Finance Committee which are based on the audited financial results. Additionally, general review of the Group's approach to compensation and specific ad hoc compensation reports are provided periodically as requested.

III. A description of the supplementary pension or early retirement schemes for members of the insurance group, the Board and Senior Executives

The Finance Committee reviews and approves changes to the administration of the Defined Benefit and Defined Contribution pension schemes.

The Group has established defined contribution pension plans for eligible qualifying employees. Contributions by the Group to these defined contribution plans are subject to certain vesting requirements and are generally a set percentage of an employee's annual income and matched against employee contributions.

The Group continues to sponsor a defined benefit pension plan for eligible employees in Bermuda. This plan has been closed to new entrants for many years, i.e., employees hired after 1999. The defined benefit plan is administered by separate Funds. Responsibility for governance of the plan including investment and contributions lays jointly with the Group and the Trustees of the pension fund.

Under the plan, the pension amount at retirement is based on an employee's final average earnings. The scheme is generally funded through payments determined by periodic actuarial calculations.

IV. Any material transactions with shareholder controllers, persons who exercise significant influence, the parent Board or Senior Executives

The Group has a significant shareholder, Lawrie (Bermuda) Ltd, incorporated in Bermuda, which as at 31 December 2023 owned 36.6% of BF&M Limited's shares. The remaining shares are widely held.

The Group defines key Management as the Executive Committee and the Board of Directors. The following transactions were carried out with key Management (and their families) during the year ending 31 December 2023.

	<i>BF&M Group</i>	<i>BF&M General</i>	<i>BF&M Life</i>
2023			<i>\$'000</i>
Sales of insurance contracts and pension services	119	81	38
Purchase of services	351	7	
Loans to key management as at 31 December 2023	1,968		1,968

	<i>BF&M Group</i>	<i>BF&M General</i>	<i>BF&M Life</i>
2022			\$'000
Sales of insurance contracts and pension services	202	118	84
Purchase of services	134	121	
Loans to key management as at 31 December 2022	4,301		4,301

During the financial year ending 31 December 2023, BF&M Limited declared and paid \$9.7 million (2022 – \$8.5 million) of dividends to shareholders.

B. Fitness and proprietary requirements

I. A description of the fit and proper process in assessing the parent Board and Senior Executives

Fit and proper requirements are assessed based on the following definitions:

Fit: Professional qualifications, knowledge and experience are adequate to enable sound and prudent management of the Company's activities. An assessment of whether an individual is 'Fit' shall involve an evaluation of the person's professional qualifications, knowledge and experience to ensure they are appropriate to the role. It shall also demonstrate whether the person has exercised due skill, care, diligence, integrity and compliance with relevant standards that apply to the area or sector in which the individual has worked.

Proper: a person is of good repute and integrity. An assessment of whether a person is 'Proper' shall include an evaluation of a person's honesty, reputation, and financial soundness. This will include, if relevant, criminal convictions or disciplinary offences.

The Chairman of the Board is responsible for reviewing with the Board of Directors on an annual basis the appropriate skills and characteristics required of Directors in the context of the current make-up of the Board. This assessment includes issues of diversity, age and skills all in the context of the perceived needs of the Board at that point in time. The Board undertakes an independent skills gap assessment every three years and the results are reviewed by the Board.

II. Professional qualifications, skills, and expertise of the Board and Senior Executives

Summary of the Board nomination process

The nomination and selection process of new directors is outlined in the Finance Committee Terms of Reference. The Finance Committee is responsible for establishing the selection criteria to reflect the needs and experiences required for the business and organisation. This skills matrix forms the basis to assess and document the qualifications, knowledge, skill and experience required for Board membership.

In addition to a comprehensive review of qualifications, experience, capability, availability to serve, competencies and skills, a complete due diligence exercise is conducted with a review of any conflicts of interest. Selected nominees for Board approval are then presented for shareholder approval at the Annual General Meeting.

Executive Committee selection process

The Group CEO is responsible for hiring the Executive Committee members. This process follows a disciplined assessment and interviewing process and may involve guidance and input from a third-party recruitment agency. Candidates are fully vetted and may include interviews with other Executive Committee members and potentially members of the BF&M Limited Board of Directors to ensure culture and organisational alignment. All candidates complete a comprehensive background and reference check.

Non-Executive Committee selection process

Management is expected to identify and select the best candidate within their teams to ensure there is appropriate talent, expertise and skills in their areas of responsibility. Human Resources provide management support through a comprehensive selection and hiring process which includes background and reference checks.

Directors and key Senior Managers along with their relevant experience, qualifications and skills are set out below:

Executive Committee

– **Abigail Clifford**

Group President and Chief Executive Officer

Abigail Clifford has over 15 years of experience in the financial services sector including the international reinsurance industry with expertise in the areas of organisational and talent development. Ms. Clifford joined BF&M in 2013 and prior to her current role she held the position of Group President & Chief Operating Officer. In September 2022 she succeeded to the position of Group President & Chief Executive Officer. Prior to joining BF&M, Ms. Clifford worked at PartnerRe as the Group Chief Human Resources Officer.

Ms. Clifford holds a Master of Science in Organisational Development from Johns Hopkins University and a Bachelor of Arts in Psychology from Washington College. Additionally, she holds professional certifications in both coaching and human resources.

– **Gemma Rochelle**

EVP, Group General Counsel & Chief Compliance Officer

Ms. Rochelle is an attorney with over 15 years of experience in the financial services sector. In 2019, she joined BF&M where she leads the Group Legal and Compliance function. Prior to joining BF&M, she worked for Mayer Brown, a leading global law firm, representing financial institutions on disputes involving structured finance, derivatives and commercial insurance. Gemma advised on large-scale regulatory investigations and guided c-suite executives through parliamentary committee appearances.

Ms. Rochelle is a member of the Bermuda Bar Association, earning her Law LLB at the University of Leeds in the IL. She also has obtained distinction in Legal Practice Course and certificates in operational risk management and advanced regulatory compliance.

– **Caroline Mills-White**

Executive Vice President, Group Head of Property & Casualty

Caroline Mills-White joined the BF&M Group in November 2020 and leads the Property and Casualty division across the group. Her focus is on P&C strategy, driving revenue growth and client retention for BF&M and Island Heritage Insurance Company.

Ms. Mills-White brings over 20 years of industry experience having held progressive positions with brokers and insurers. She was previously employed with Aon for 6 years as Senior Vice President and Business Unit Leader and Marsh Canada for 14 years, beginning as the Assistant Vice President and New Business Development Manager and finally as Senior Vice President of Private Client Services/Small Commercial.

Ms. Mills-White has a Master of Science in Strategy and Leadership from Edinburgh Business School, Herriot-Watt University, as well as designations as a Fellow Chartered Insurance Professional (FCIP) from the Insurance Institute of Canada, and as a Chartered Insurance Professional (CIP).

– **Michelle Jackson**

Executive Vice President, Group Head of Life, Health & Pensions

Ms. Jackson joined BF&M Limited in 2018 and leads the group life, health and pension business in Bermuda and the Caribbean. She oversees business development, underwriting administration, Life, Health claims and wellness as well as pensions.

Ms. Jackson is a seasoned leader with over 20 years of experience in the insurance industry. Prior to joining BF&M, she was responsible for overseeing the daily operations of the Group Insurance department at a competitor which included Health Insurance, Group Life and Disability as well as Workers' Compensation. Ms. Jackson graduated from Princeton University with a Bachelor of Arts degree in literature and holds both a Master of Business Administration and a Master of Information Systems from the University of Texas at Arlington.

Ms. Jackson currently serves on the Board of Age Concern and Pathways Bermuda. She is a former YouthNet mentor and a former member of the Board of the Bermuda Diabetes Association.

– **Bruce Walker**
Executive Vice President, Group Chief Financial Officer

Mr. Walker joined BF&M Limited in 2022. He has over 25 years of extensive risk and capital management experience. A former CFO and transformational leader at ACE INA Insurance, Mr. Walker more recently served as Chief Risk Officer at Chubb Insurance Company of Canada. In this role, he was responsible for implementing an Enterprise Risk Management framework and reporting programme, as well as partnering with the Chief Actuary and CFO to provide strategic analysis and portfolio optimization. Mr. Walker oversaw catastrophe and casualty reinsurance treaty placements for Canada and was Chair of the Chubb Canada Investment Committee. Mr. Walker has also held senior leadership positions internationally with Royal & Sun Alliance Insurance Group in the U.S. and the U.K.

Mr. Walker has a CPA CA designation, and a Bachelor of Arts degree in Political Science and Economics from McGill University.

BF&M Limited – Board of Directors

The BF&M Limited Board of Directors is comprised of both Bermudian and non-Bermudian individuals who bring a wealth of local and international business experience. Their reputation and experience reflect the Group's corporate values of integrity and professionalism. The composition reflects a blend of financial, insurance and business knowledge. A list of the parent company Directors is provided below with a brief professional resume on each.

– **Abigail Clifford - Group President and Chief Executive Officer**
(As on page 13)

– **L. Anthony Joaquin, FCA – Group Chair, Retired Managing Partner, Ernst & Young**

Mr. Joaquin has been a member of the BF&M Limited Board of Directors for 13 years, as well as the Board of BF&M Life Insurance Company. Mr. Joaquin spent 17 years as a partner of Ernst & Young (now EY) and held several different roles in the insurance area of the practice prior to his retirement. He serves on several boards and is currently the Chair of HSBC Bank, Bermuda and a Director of Ascendant Group Limited.

– **Nancy L. Gosling – Retired President and CEO, Goslings Brothers Ltd.**

Ms. Gosling has been a member of the BF&M Limited Board of Directors for over 20 years and is the Chair of the BF&M General Board. Ms. Gosling is the chairwomen of Goslings Ltd., and she also holds a Bachelor's degree in of Commerce and an Honorary Doctorate (Laws) from Dalhousie University in Halifax, Canada.

– **Gordon J. Henderson – Retired President and CEO, BMO Life Insurance Company**

Mr. Henderson has been a member of the BF&M Limited Board of Directors since 2017 and is Chair of the BF&M Life Insurance Company Limited Board. Mr. Henderson was a senior executive of BMO Bank of Montreal for 12 years where his roles included President and CEO of BMO Life Insurance Company and

Deputy Chairman of BMO Reinsurance Limited. Before joining BMO, Mr. Henderson was with Aetna Canada for 17 years and held a number of senior executive roles including SVP Individual Insurance and SVP & General Counsel. He has served on many boards in the financial services industry in Canada, Bermuda and Barbados and is a Member of the Law Society of Ontario.

- **Paul C. J. Markey – Retired Chairman, Aon Bermuda**
Mr. Markey has been a member of the BF&M Limited Board of Directors for 4 years and serves on the BF&M General Board. Mr. Markey joined Aon Bermuda in 1994 and remained with the company for 25 years. Prior to joining Aon he spent 10 years with General Re in both the US and London.
- **Conor O’Dea, FCA – Retired Chairman/Director, Butterfield Bank (Cayman) Ltd.**
Mr. O’Dea became a member of the BF&M Limited Board of Directors in 2018 and serves on the BF&M Life Insurance Board. Mr. O’Dea served as President and COO of Butterfield Bank (Cayman) Ltd.. Prior to his President and COO role he was Managing Director and Senior Executive VP at the Bank. Mr. O’Dea is a Fellow of the Institute of Chartered Accountants in Ireland and a board member on several other companies.
- **Andrew Lo – President and CEO Embark, and Former CEO, Financeit and Kanetix Ltd.**
Mr. Lo became a member of the BF&M Limited Board of Directors in 2020 and serves on the BF&M General Board. Mr. Lo has over 25 years of experience in FinTech, InsurTech and SaaS industries. Currently serving as President and CEO of Embark, Mr. Lo, was formerly CEO of Financeit as well as Kanetix Ltd., Canada’s largest digital acquisition platform for insurance and financial services. Prior to this role, Mr. Lo held senior leadership positions at Finastra, a global technology and business process outsourcing company, and Filogix Inc., a mortgage origination platform. Mr. Lo is a Member of the Professional Engineers of Ontario as well as the Institute of Corporate Directors.
- **Jennifer Reynolds – CEO of Women Corporate Directors Foundation (WCD)**
Ms. Reynolds became a member of the BF&M Limited Board of Directors in 2020 and serves on the BF&M Life Board. Mrs. Reynolds has over 20 years of experience in financial services. Currently the CEO of WCD, a premier global membership organization and community of women corporate directors, Ms. Reynolds has previously held senior roles in investment banking, venture capital, and global risk management. Ms. Reynolds is a former Director on the Board of Citibank Canada, current Director on the Board of the Canada Development Investment Corporation ("CDEV"), and a Director on the Board of Women’s College Hospital Foundation. In 2015 and 2017, she was named a Top 100 Award Winner of Women’s Executive Network Canada’s Most Powerful Women.

The Directors for BF&M Life and BF&M General are as noted in Section 2.A.I above.

C. Risk management and solvency self-assessment

I. Risk management process and procedures

The Group is exposed to a spectrum of risks including insurance, market, credit, liquidity, and operational risks.

The Group’s primary objective in undertaking risk management activity is to manage risk exposures in line with risk appetite, minimising its exposure to unexpected financial loss and limiting the potential for deviation from anticipated outcomes. Management recognises the critical importance of having efficient and effective risk management systems in place. In this respect, a framework of limits and qualitative statements, aligned with the Group’s risk appetite, is in place for material exposures.

The formal risk management framework is designed to ensure that all significant risks are identified and managed. This framework seeks to manage exposures to risk through control techniques which ensure that the residual risk exposures are within acceptable tolerances agreed by the Board.

As part of the risk management framework, the Group identifies risk owners, mitigation plans and ranks the identified risks in the key risk list, which is updated and reported on a quarterly basis. This provides an

informed basis for decision making. The Group Risk Committee plays a key role in the risk management process. Stress and scenario testing and qualitative assessments are tools used to measure risk.

BF&M Group has a strong Enterprise Risk Management (ERM) framework. Along with the Group Solvency Self-Assessment (“GSSA”), this risk framework is implemented and integrated into the Group’s operations through the systems, processes, procedures and controls developed by BF&M management including:

- The establishment of a Group Risk Committee comprising executive management that meets quarterly;
- Development and regular review of a Board approved capital management policy;
- Quarterly capital adequacy reporting;
- A robust stress testing program;
- Quarterly risk exposure monitoring versus risk limits;
- Key risk lists including mitigations;
- A comprehensive reinsurance program.

On a quarterly basis, the Board reviews a Group Key Risk List. Details of the risk description, owner, probability, severity, mitigation and general comments are provided for each risk as well as the direction that the risk is trending. There is also a Key Risk List for each of BF&M Life and BF&M General.

Reinsurance is used to reduce potential loss to the Group from individual large risks and catastrophic events. It may also be used to manage capital or to provide access to specialist underwriting expertise.

There is a Group Operational Risk Framework and Procedure which falls under the Enterprise Risk Management Framework, and pursuant to which key operational risks, are monitored and controlled. Each risk is managed and overseen by an Operational Risk Owner, with each Business Risk Owner evaluating their operational risks and controls on a quarterly basis. The Operational Risk Framework is underpinned by the Group’s Operational Risk Appetite Statement and is subject to oversight of the President & Chief Operating Officer. Risk is monitored through various methods, including incident reporting, and is evaluated through a bottom-up process from Business Risk Owners through to the Group Risk Committee.

Reputational risk is considered as part of the management of the key operational risks, it being consequential to certain operational risk incidents. Reputational damage is a key factor in evaluating the impact of and resulting treatment of an operational risk incident. Similarly, reputational exposure is a key component of the Group’s operational risk tolerance thresholds.

II. Integration between the risk management and solvency self-assessment systems

The BMA requires commercial insurers and Bermuda groups to perform an assessment of their own risk and solvency requirements for the benefit of policyholders and to enhance its insurer operations in the Bermuda market. For BF&M Life and BF&M General this is referred to as the Commercial Insurers’ Solvency Self-Assessment (“CISSA”). For the Group it is referred to as the Group Solvency Self-Assessment (“GSSA”).

Both the CISSA and GSSA form an integral part of the risk management process. They are prepared and reviewed annually and provide a comprehensive review of the approach taken to risk management. These assessments facilitate a holistic review of the risk universe, including tolerance and appetite setting, risk identification, measurement, management, mitigation, and reporting. The CEO maintains responsibility for communicating the assessment contents and findings to the Board.

The above approaches support the organisational decision-making process and assist in ensuring risk management and solvency self-assessment are integrated, streamlined and cascaded across the Group.

III. Relationship between the solvency self-assessment, solvency needs, and capital and risk management systems

The Finance Committee of the BF&M Board approves the capital management policy that sets out supplemental internal capital targets to the BMA regulatory requirements. These capital requirements are reported on quarterly at the BF&M Limited Audit Committee meeting.

The capital management policy sets out the approach that the BF&M Group uses to manage balance sheet capital. It addresses the movement of capital around the Group together with the implications for dividend policy. The outputs are used to assist in guiding compliance with regulatory capital requirements, acceptable types of capital, required statutory reporting and governance.

The objectives for the BF&M Group capital management framework are to:

- Maintain regulatory solvency for all regulated entities;
- Maintain rating agency credit rating for entities as required by Group strategy;
- Support a stable dividend payout strategy and return funds to shareholders as appropriate;
- Retain sufficient capital for growth and investment in the business;
- Maintain as much flexibility as possible in the movement of capital around the Group.

The Audit Committee reviews the available capital against these targets on a quarterly basis.

IV. Solvency self-assessment approval process

The GSSA report is compiled by the Chief Actuary & Chief Risk Officer with contributions from the relevant functions throughout the Group. It is reviewed by the Group CEO and Group CFO and provided to the Board of Directors as part of the BSCR review process. CISSA reports for BF&M General and BF&M Life are prepared by the senior financial staff with review and contribution by the executives and senior staff of those companies.

D. Internal controls

I. Internal Control System

A robust internal control system is in place, which is enhanced with additional oversight by the Audit Committee.

The Audit Committee plays a key role in reviewing the effectiveness of the internal control systems by carrying out the following activities:

- Evaluating the manner in which Management ensures and monitors the adequacy of accounting and internal systems, paying particular attention to computer controls and security;
- Assessing Management's response to and implementation of internal control recommendations made by the Group's external and internal auditors.

In addition, the Board Terms of Reference assist in guiding the Boards' role in ensuring that an adequate system of internal control and reporting is maintained. Further, Management is responsible for designing and maintaining appropriate policies, internal controls and procedures to ensure compliance with accounting standards and applicable laws and regulations.

The importance of internal controls is emphasised throughout all processes and the highest levels of integrity are promoted at all levels, from the Board to CEO to Senior Management and staff members as well as external parties such as the Group's key outsourcing relationships.

Control procedures are embedded within business processes and through the application of the operational risk framework. The effectiveness of controls is reviewed at periodic intervals by business risk and operational risk owners.

Through the implementation of policies and procedures, employees across the Group have a clear view on their responsibilities throughout the business processes. A good understanding of roles and of the importance of the controls contributes to the embedding of a risk culture. Management ensures that the appropriate skill sets and competencies are developed through training and other educational initiatives to support this objective.

II. Compliance Function

Responsibility to monitor and evaluate compliance with jurisdictional laws and regulations sits within the legal and compliance function of BF&M. The Board receives quarterly reports on legal and compliance matters impacting the Group from the Chief General Counsel and Chief Compliance Officer. All regulatory submissions to the BMA are managed between the Financial Reporting team and Compliance function. The Chief Compliance Officer has ultimate oversight of all filings and communications with regulators and ensures timely and accurate information is submitted to the BMA, both with respect to the Group as well as each subsidiary.

Designated compliance officers are in place to oversee each key jurisdiction, helping to drive the compliance strategy and monitoring for changes in local law and regulatory requirements.

E. Internal audit

Internal Audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of BF&M Limited and its subsidiaries (“Group”). The Internal Audit activity evaluates and contributes to the improvement of the Group’s governance, risk management and control processes using a systematic, disciplined and risk-based approach.

The Internal Audit activity is established by the Board of Directors and its responsibilities are defined by the Audit, Compliance and Corporate Risk Management (“Audit”) Committee as part of their oversight function outlined in the Terms of Reference.

The Group Internal Audit Charter (“Charter”) is a formal document that defines the Internal Audit activity’s purpose, authority and responsibility. The Charter establishes the Internal Audit activity’s position within the Group; authorizes access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of the Internal Audit activities.

The Head of Internal Audit reports functionally to the Audit Committee and administratively (i.e. day to day operations) to the Group President and Chief Executive Officer to establish, maintain and assure the Internal Audit activity has sufficient authority to fulfill its duties. In accordance with the Terms of Reference, the Audit Committee will perform the following:

- Review and approve the appointment and dismissal of the Head of Internal Audit.
- Review and approve the Charter.
- Ensure the Head of Internal Audit has access to the Audit Committee Chairman.
- Review the qualifications, organizational structure and budget of the Internal Audit function.
- Discuss with Management the Internal Audit function responsibilities, activities, effectiveness and staffing and any recommended changes in the planned scope of the internal audit function.
- Review and approve the annual Plan.
- Obtain periodic reports on the status of the Plan, significant issues and recommendations regarding the system of internal controls.

To achieve the degree of independence necessary to effectively carry out the responsibilities of the Internal Audit activity, the Head of Internal Audit will have free and unrestricted access to communicate and interact directly with the Audit Committee, including executive sessions without Management present. The Head of Internal Audit will ensure the Internal Audit activity remains free from all conditions that threaten the ability to carry out responsibilities in an unbiased manner, including matters of audit selection, scope, procedures,

frequency, timing or report content. On an annual basis, the Head of Internal Audit will confirm to the Audit Committee the organizational independence of the Internal Audit activity.

F. Actuarial function

The actuarial function is composed of a combination of appropriately skilled and experienced internal and external (independent) actuarial professionals, with overall responsibility residing with the Group's CEO. Responsibilities of the actuarial function include but are not limited to:

Technical provisions: To set, monitor and adjust insurance reserves under IFRS and technical provisions under EBS – including premiums and loss and loss expense best estimates – risk margin, methodologies and underlying assumptions, for both the Board and Regulator while adhering to appropriate requirements.

Risk management: Producing various aspects of GSSA and CISSA, in particular capital projections and stress testing.

Oversight of pricing and reinsurance activities.

Carry out investigations in relation to claims experience and other assumptions impacting the Company.

To varying degrees, the duties and responsibilities outlined above are shared between both internal and external actuarial resources.

BF&M General has appointed an external independent actuary approved by the BMA, who provides an opinion on the Group's general business technical provisions. BF&M Life's appointed actuary was formerly an external independent consultant but is now employed by the Group to opine on the Group's long-term technical provisions. This appointment was also approved by the BMA. All actuaries have direct access to the Group's Audit, Compliance and Corporate Risk Management Committee as well as the BF&M Limited, BF&M Life and BF&M General Board of Directors. An annual report on the reliability and adequacy of the calculation of the IFRS insurance reserves is provided to the Boards by the respective appointed actuaries.

G. Outsourcing

I. Outsourcing policy

The Group has an Outsourcing Policy ("Policy") which sets out key processes and procedures that the Group must apply in relation to the outsourcing of activities to third-party service providers, in line with relevant regulatory outsourcing guidance. It is supplemented by other overlapping policies concerning third-party risk. The Policy ensures that arrangements with outsourcing service providers are subject to appropriate due diligence, approval and ongoing monitoring.

All respective business units are responsible for determining when outsourcing arrangements are in place, and identifying new arrangements, in accordance with guidance and definitions as set out in the Policy. Senior management are responsible for determining when there is material outsourcing of critical business activities.

Key controls and governance

The Policy requires appropriate due diligence to be carried out on potential outsourcing providers. The due diligence process includes addressing material factors which would impact the outsourcing service provider's ability to perform the business activity.

The Policy requires all outsourcing to be contracted in a legally binding agreement and enforceable in all relevant jurisdictions. Similarly, intra-group arrangements must be documented in an outsourcing agreement. All material outsourcing must receive the prior approval of the Board of Directors.

Outsourcing arrangements and agreements are to be subject to ongoing management and monitoring and are to be reviewed at periodic intervals by relevant business units. The management of outsourcing arrangements forms part of internal audits from time to time and as determined by the Audit Committee.

Ultimate responsibility for the outsourcing of the Group's business activity and compliance with all legal and prudential requirements is with senior management. Senior management are responsible for evaluating risks and materiality of existing and prospective arrangements.

The Board of Directors play a key role and amongst other oversight is responsible for annually reviewing and approving the Policy.

Overview of outsourced business activities

Some key business activities outsourced are as follows:

- Case and claims management of overseas health treatment and repricing services related to health insurance;
- Underwriting and risk assessment of individual and group life, disability and health policies;
- Sale and marketing of certain health, life and property and casualty products in operating jurisdictions and loss adjudication for certain property and casualty claims

H. Other material information

There is no other material information to report.

3. Risk Profile

The Group is exposed to a range of risks which have the potential to adversely affect its ability to achieve its business objectives.

Set out below we provide an overview of the key risks faced by the Group, together with a description of how each is managed.

A-B. Material risks to which the insurance Group is exposed during the reporting period and how they are mitigated

Key risks to the Group include the following:

Underwriting risk

Underwriting risk stems from inaccurate pricing of risks or inappropriate underwriting of risks. Overall, the Group seeks to be conservative in its acceptance of insurance risks by establishing strict underwriting criteria and limits. The underwriting policy for each business unit is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

I. Life and Health insurance

Life insurance risk in the Group arises through its exposure to mortality, longevity and morbidity risks and exposure to worse than anticipated operating experience on factors such as persistency levels and management and administration expenses.

Life insurance risk approaches have been designed at a business unit level, with monitoring conducted by the individual business units and overseen by the Board. Mitigation methods include the purchase of reinsurance, an established underwriting process and monitoring of pricing and product design.

II. General insurance

General insurance risk in the Group arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source (e.g. Catastrophe risk);
- Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten;
- Inadequate reinsurance protection or other risk transfer techniques; and
- Inadequate reserves.

The majority of the general insurance business underwritten by the Group is of a short-term nature such as property, motor and marine insurances. Similar to life insurance risk, general insurance risk is managed primarily at business unit level with oversight at a Group level.

Reinsurance, an established approach to pricing and underwriting and a robust risk management framework are examples of how these risks are mitigated.

Reinsurance and reinsurance credit risk

Reinsurance risk refers to the inability of the insurer to obtain insurance from a reinsurer at the right time at an appropriate cost. Reinsurance credit risk is the risk that the counterparty will develop solvency issues and become a slow payer or nonperforming.

Reinsurance risk across the Group is managed with an established renewal process, working closely with selected intermediaries who provide additional guidance and expertise. The extensive use of modeling techniques, with management challenge and oversight, together with regular monitoring of reinsurer credit ratings contribute to the reinsurance risk mitigation approach.

All major reinsurers are rated A- or better with A.M. Best or equivalent.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument is unable or unwilling to meet an obligation, thereby causing a financial loss.

Policies and procedures are in place to manage this risk, including holding a diversified investment portfolio that focuses on asset quality. The portfolio is monitored and reviewed regularly by the Group Investment Committee and by the Board of Director's Finance, Compensation, and Corporate Governance Committee. Portfolios are subject to stress testing and liquidity analysis.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations as they become due. In order to manage liquidity risks, Management maintains levels of cash and short-term deposits which are sufficient to fulfill the Group's short-term obligations. The Group also closely manages operating liquidity through cash flow matching of assets and liabilities on its life insurance, annuities and pensions business.

Market risk

Market risk is the risk that the fair value and/or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. For BF&M Group, market risk comprises three types of risk:

- Foreign exchange rates (currency risk);
- Market interest rates (interest rate risk); and
- Market prices (price risk).

The vast majority of the Group's investments are in quoted bonds, equities and first lien Bermuda mortgages. This reflects a conservative and cautious approach taken in order to mitigate market risk.

Operational risk

The Group is exposed to operational risk, which is defined in the Group's Operational Risk Management Framework and includes the risk of loss, business disruption or uncertainty related to people, processes, assets, products, services and stakeholders. Certain key operational risks (including legal/litigation, privacy and cyber, people and conduct) that senior management has determined to be a sufficiently material/impactful risk, are defined and subject to ongoing management, monitoring and reporting.

Further details surrounding the corporate governance and risk management framework can be seen in section 2.

C. Material risk concentrations

Material concentration risk may arise, for example, due to a geographic concentration of business, or due to a concentration of risk transfer with a specific reinsurer. Material concentration of risk is mitigated through the Group's strategic diversification of products offered as well as by maintaining strong relationships with its reinsurers.

D. Investment in assets in accordance with the prudent person principles of the Insurance Code of Conduct

The Group's investment strategy is conservative and prudent which ensures that exposure to the cycles of the markets is minimised. The Group's investment strategy follows a prudent person approach, aimed at balancing the objectives of capital preservation and reasonable return on investment, in the context of sound liquidity management and appropriate levels of asset concentrations.

Investment guidelines are in place that require the purchase of only investment-grade assets and minimise undue concentration of assets in any single group, asset class or credit rating. These guidelines specify collateral requirements for mortgages and loans which include the underlying property or other security. Exception reporting at the Group Investment Committee level occurs on a quarterly basis where investment ratings fall below investment grade. This reporting is also made at the Board Finance Committee level.

In order to manage liquidity risks, Management maintains levels of cash and short-term deposits, which are sufficient to fulfill the Group's short-term obligations.

Further details surrounding the investment approach and composition can be found in section 1 G and under the 'credit risk' subheading in section 3 A-B.

E. Stress testing and sensitivity analysis

The objective of stress testing and sensitivity analysis is to assess the capital adequacy of the Group under adverse financial and underwriting conditions. Risk stress tests and sensitivity analysis are run at least annually and help determine the capacity of the Group to absorb the manifestation of key financial risks, such as shocks to investment performance and projected losses arising from specific underwriting risks.

In addition to stress testing and sensitivity analysis, the Group conducts annual scenario analysis exercises.

For the life insurance business this takes the form of integrated scenarios that stress multiple risk factors simultaneously. The scenarios are chosen based on adverse, plausible events that could impact the business lines written by the Group.

The impacts of the scenarios are projected for several years into the future to understand the impact on earnings and capital. For the property and casualty business, a very large number of scenarios are modelled drawn from industry databases of extreme events. These scenarios assist the Group in understanding the impact of events that could impact multiple islands where the Group does business and ensure that the annual reinsurance program is consistent with the Group's risk appetite.

The Group's approach to stress and scenario testing is supported by robust guidelines. The scenarios used in modeling have been selected for their relevance to the Group, based on historical and prospective events, with relevant assumptions made specific to each scenario. The Group has limited residual exposure due to its robust reinsurance programme.

The capital and solvency implications of these scenarios in the context of the GSSA and regulatory requirements are determined by BF&M's Group Risk Committee and reviewed by BF&M's Executive Committee. The results are incorporated into the capital, solvency and risk management approach and their impact included in the Group's annual BSCR submission. The outputs of the testing exercise are communicated to the Board of Directors and used to facilitate Senior Management's overview of firm-wide risks and stresses and to incorporate the implications of the scenario testing in the Group's strategy and business profile.

Based on the latest results, Senior Management believe that the Group, BF&M Life and BF&M General have sufficient capital and liquidity to satisfy the contractual obligations of the organisation and all regulatory requirements, upon experiencing any loss within its risk tolerance.

F. Any other material information

There is no other material information to report.

4. Solvency Valuation

A. Valuation bases, assumptions and methods used for each asset class

Financial statements for the BF&M Group, BF&M General and BF&M Life are compiled on a going concern basis and prepared on the historical cost basis, as modified by the revaluation of: available-for-sale financial instruments and certain segregated fund assets and liabilities measured at fair value; retirement benefit obligations measured at present value; and financial assets and liabilities at fair value through profit or loss. This is as required under International Financial Reporting Standards ("IFRS").

These financial statements form the basis for the preparation of both the Economic Balance Sheet ("EBS") and the Statutory Financial Statements ("SFS") as required under Bermuda insurance regulations. The EBS and SFS are used by both the Group and the Bermuda Monetary Authority in assessing the minimum solvency and capital requirements. With certain exceptions, assets and liabilities are assessed and included on the EBS at fair value. The valuation of technical provisions is noted below in 4B.

Management has assessed that the carrying values of cash and cash equivalents, fixed deposits, regulatory deposits, and restricted cash approximate their fair values.

The fair value of investments, including fixed income and equity, is determined using quoted prices in active markets for identical or similar securities. When quoted prices in active markets are not available, fair value is determined using market standard valuation methodologies, which include discounted cash flow analysis, consensus pricing from various broker dealers that are typically the market makers, or other similar techniques.

Fair values for investment properties are assessed annually and reviewed quarterly for material changes. The fair value is assessed using the most recently available reports from qualified external appraisal services.

The fair value of investments for accounts of segregated fund holders is determined using quoted prices in active markets or independent valuation information provided by investment managers. The fair value of direct investments within investments for accounts of segregated fund holders, such as short-term securities and government and corporate debt securities, is determined according to valuation methodologies and inputs described above in the respective asset type sections.

B. Valuation bases, assumptions and methods used for technical provisions and best estimate

Technical Provisions are determined in accordance with accepted actuarial practice and Economic Balance Sheet (“EBS”) valuation principles as outlined in the BMA’s Guidance Notes for Commercial Insurers and Insurance Groups’ Statutory Reporting Regime and Actuary’s Opinion on EBS Technical Provisions.

Risk margins have been calculated in accordance with the requirements of Schedule XIV of the Insurance Prudential Standards Rules, which sets out the detailed requirements for the EBS.

Life and Health insurance contracts

The valuation of the net best estimate technical provisions was generally performed using the EBS Scenario-Based Approach. In some instances, approximations were used due to the nature of liabilities. Best estimate assumptions were based on company and/ or industry experience. The results of the scenario testing were implemented by deriving a set of discount rates such that the net best estimate technical provisions determined by using the set of discount rates produced the same best estimate technical provisions as the EBS Scenario-Based Approach. The valuation of best estimate technical provisions and associated reinsurance recoverables were derived using consistent methods and assumptions.

The EBS Scenario-Based Approach valuation was performed separately for the investment contract segment, which includes guaranteed interest product business, and for the insurance contract segment which includes the insurance and annuity business. The segmentation better reflects the different characteristics of the businesses.

Short-term insurance contracts

The starting point for the technical provisions is the IFRS undiscounted unpaid loss and loss adjustment expenses, gross and net of reinsurance. The technical provisions also reflect future claims events associated with unpaid loss and loss adjustment expenses for unexpired risk associated with business incepting prior to the reporting date and bound but not incepted exposures (“BBNI”). These unpaid loss and loss adjustment expenses were then adjusted for the following:

- Events not in dataset (“ENID”)
- Any other expenses incurred during the run-off of the existing policies
- An estimate of uncollectible reinsurance
- Premium receivables for premiums not yet due

All provisions were then discounted to take in to account the time value of money, using the relevant risk-free interest rate term structure with an appropriate illiquidity adjustment.

The calculations were performed for earned, unexpired and incepted business, and unexpired and BBNI business separately, both gross and net of reinsurance.

The loss and loss expenses provisions are comprised of cash flows associated with the earned business; the premium provisions are comprised of cash flows associated with the unexpired and BBNI business.

Finally, a risk margin is included to reflect the uncertainty inherent in the underlying cash flows.

Technical provisions

At 31 December 2023, the total Technical Provisions for the BF&M Group amounted to \$495 million (2022 - \$476 million), comprised of the following:

<i>BF&M Group</i>	<i>General Business Insurance</i>	<i>Long-term Business Insurance</i>	<i>Consolidated</i>
			<i>\$'000</i>
2023			
Premium provisions	(29,946)	Nil	(29,946)
Net loss and loss expense provision	36,663	481,007	517,670
Risk margin	2,590	4,932	7,522
Total technical provisions	9,307	485,939	495,246

<i>BF&M Group</i>	<i>General Business Insurance</i>	<i>Long-term Business Insurance</i>	<i>Consolidated</i>
			<i>\$'000</i>
2022			
Premium provisions	(16,663)	Nil	(16,663)
Net loss and loss expense provision	34,494	451,891	486,385
Risk margin	1,996	4,932	6,928
Total technical provisions	19,827	456,823	476,650

At 31 December 2023, the total Technical Provisions for BF&M Life Insurance Company Limited amounted to \$504 million (2022 - \$473 million) comprised of the following:

<i>BF&M Life</i>	<i>General Business Insurance</i>	<i>Long-term Business Insurance</i>	<i>Consolidated</i>
			<i>\$'000</i>
2023			
Premium provisions	Nil	Nil	Nil
Net loss and loss expense provision	17,507	481,007	498,514
Risk margin	204	4,932	5,136
Total technical provisions	17,711	485,939	503,650

<i>BF&M Life</i>	<i>General Business Insurance</i>	<i>Long-term Business Insurance</i>	<i>Consolidated</i>
			<i>\$'000</i>
2022			
Premium provisions	Nil	Nil	Nil

Net loss and loss expense provision	15,725	451,891	467,616
Risk margin	166	4,932	5,098
Total technical provisions	15,891	456,823	472,714

At 31 December 2023, the total Technical Provisions for BF&M General Insurance Company Limited amounted to negative -\$8 million (2022 \$4 million) comprised of the following:

<i>BF&M General</i>	<i>General Business Insurance</i>
2023	\$'000
Premium provisions	(29,946)
Net loss and loss expense provision	19,443
Risk margin	2,638
Total technical provisions	(7,865)

<i>BF&M General</i>	<i>General Business Insurance</i>
2022	\$'000
Premium provisions	(16,663)
Net loss and loss expense provision	19,056
Risk margin	2,082
Total technical provisions	4,475

C. Recoverables from reinsurance contracts

Recoverables from reinsurance contracts are based on principles similar to the gross best estimate and include reinstatement premiums required to be paid to the reinsurer, and expenses in relation to the management and administration of reinsurance claims.

The balance is adjusted for counterparty credit rating based on rating agency and experience default statistics.

D. Valuation bases, assumptions and methods used for other liabilities

All remaining financial liabilities are classified as other financial liabilities which include loans payable, and other liabilities. Under IFRS, such financial liabilities are initially recognised at fair value plus any directly attributable transaction costs. Loans payable are subsequently carried at amortised cost. Any excess between the proceeds (net of transaction cost) and the redemption value is recognised in the consolidated statement of income over the period of the loan using the effective interest rate method.

Similar to the valuation principles for assets noted in 4 A., adjustments are required to the IFRS basis for SFS and EBS regulatory reporting and capital assessment purposes.

Included under other liabilities are accounts payable. Other liabilities are considered short-term payables with no stated interest and the carrying value of these financial liabilities approximates fair value at the reporting date.

E. Any other material information

There is no other material information to report.

5. Capital Management

A-B. Eligible capital and regulatory capital requirements

Capital requirements are reported on a quarterly basis to the Group's Audit Committee.

The Board of Directors reviews the available capital against targets on a quarterly basis, whilst also considering capital fungibility.

Management monitors the adequacy of the capital of the BF&M Group, BF&M Life and BF&M General from the perspective of the Bermuda Insurance Act and Companies Act as well as the regulatory requirements of the other jurisdictions in which it operates. The Group's practice is to maintain the capitalisation of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements within the various jurisdictions.

The Group's investment policies emphasise the preservation of capital and the maintenance of a diversified investment portfolio, which together serve to minimise the risk that investment activities pose to the Group's capital.

The Group adopts a conservative approach to determining the levels and quality of capital it holds. The Group currently holds the majority of its capital as "Tier 1" capital (i.e. fully paid shares, contributed surplus and statutory surplus), in accordance with Eligible Capital Rules used to meet the Enhanced Capital Requirements (ECR) and Minimum Solvency Margin (MSM). "Tier 2" capital represents the excess of encumbered assets over policyholder obligations. No ancillary capital instruments have been approved by the BMA. There was no "Tier 2" capital in 2023.

Under the laws and regulations of Bermuda, the Group must maintain a minimum amount of statutory capital and surplus based on the Enhanced Capital Requirement. As at 31 December 2023, the Group, BF&M Life and BF&M General all exceeded the minimum requirement.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

In 2016, the Board of Director's authorised a discretionary share repurchase programme up to a maximum of 500,000 BF&M Limited shares and later expanded to a maximum of 600,000 shares in August 2022. The repurchased shares are held as treasury shares until reissued or cancelled. This programme continues to remain in place.

Identification of differences in shareholder's equity as stated in the financial statements versus available statutory capital and surplus are outlined below:

<i>\$'000</i>	<i>Equity</i>
Reported under IFRS	306,909
ADJUSTED FOR:	
Prudential filters	
Non admitted intangible assets	(10,685)
Non admitted equipment	(5,884)
Non admitted prepaids/other assets	(2,149)
EBS valuation adjustments	
Net technical provisions / CSM / Other	35,337
Fair value real estate	25,265
Available statutory capital and surplus	348,793

Regulatory capital

BF&M Group, BF&M General and BF&M Life were all in compliance with their Minimum Margin of Solvency and Enhanced Capital Requirements as at 31 December 2023.

As at 31 December 2023, the MSM and ECR were as follows:

<i>BF&M Group \$'000</i>	<i>Minimum Margin of Solvency</i>	<i>Enhanced Capital Requirement</i>
Regulatory requirement	50,971	116,034
Eligible capital held:		
Tier 1	337,270	344,149
Tier 2		
Tier 3		
Total		

<i>BF&M General</i> \$'000	<i>Minimum Margin of Solvency</i>	<i>Enhanced Capital Requirement</i>
Regulatory requirement	24,380	97,520
Eligible capital held:		
Tier 1	230,784	230,784
Tier 2		
Tier 3		
Total	230,784	230,784

<i>BF&M Life</i> \$'000	<i>Minimum Margin of Solvency</i>	<i>Enhanced Capital Requirement</i>
Regulatory requirement	26,291	29,285
Eligible capital held:		
Tier 1	123,146	123,146
Tier 2	-	-
Tier 3	-	-
Total	123,146	123,146

As at 31 December 2022, the MSM and ECR were as follows:

<i>BF&M Group</i> \$'000	<i>Minimum Margin of Solvency</i>	<i>Enhanced Capital Requirement</i>
Regulatory requirement	48,868	109,311
Eligible capital held:		
Tier 1	315,718	322,162
Tier 2	-	-
Tier 3	-	-
Total	315,718	322,162

<i>BF&M General</i> \$'000	<i>Minimum Margin of Solvency</i>	<i>Enhanced Capital Requirement</i>
Regulatory requirement	23,957	95,827
Eligible capital held:		
Tier 1	208,387	208,387
Tier 2	-	-
Tier 3	-	-
Total	208,387	208,387

<i>BF&M Life</i> \$'000	<i>Minimum Margin of Solvency</i>	<i>Enhanced Capital Requirement</i>
Regulatory requirement	24,612	25,554
Eligible capital held:		
Tier 1	113,665	113,665
Tier 2	-	-
Tier 3	-	-
Total	113,665	113,665

C. Approved internal capital model used to derive the ECR

The Group does not presently utilize an internally developed capital model and uses the BMA's standard approach to capital computation.

The BMA has approved a modification to its credit risk charge used to assess the capital required for catastrophic risk exposure in the 2023 BSCR. The BMA has permitted a more appropriate 3.5% charge, representing a deviation from the 10% per the BMA standard model, and better reflects the nature and strength of the Group's reinsurance program and panel of reinsurer counterparties.

6. Subsequent Events

On 22 March 2024, the Group, declared a dividend to be paid to shareholders of record at 29 March 2024. The dividend will be paid on or about 12 April 2024 at \$0.28 per share.

On 11 October 2023, the Group and Equilibria Capital Management Limited ("Equilibria"), a Bermuda based global asset management company announced a multifaceted strategic partnership, details of which can be found in the 2023 Annual Report.