

Aspen Group

Aspen Bermuda Limited

Financial Condition Report
December 31, 2021

Contents

Financial Condition Report	5
1 Business and Performance	5
1.1 Insurer Details	5
1.1.1 General	5
1.1.2 Bermuda Monetary Authority Regulation	6
1.2 Insurance Supervisor and Group Supervisor	7
1.3 Approved Auditor	7
1.4 Ownership Details	8
1.5 Group Structure Chart	8
1.6 Insurance/Reinsurance Business Written by Segment and Geographical Region	9
1.6.1 Insurance/Reinsurance Business Written by Segment	9
1.6.2 Reinsurance Business Written by Geographical Location	10
1.6.3 Insurance Business Written by Geographical Location	10
1.7 Performance of Investments	11
1.7.1 Investment Performance	11
1.7.2 Material Income and Expenses	12
1.8 Other Material Information	14
2 Governance Structure	15
2.1 Board and Senior Executive	15
2.1.1 Structure of the Board of Directors and Senior Executive, Roles and Responsibilities and Segregation of these Responsibilities	15
2.1.2 Remuneration Policy	20
2.1.3 Supplementary/Early Retirement Schemes	21
2.1.4 Material Transactions	21
2.2 Fitness and Propriety Requirements	22
2.2.1 Fit and Proper Process	22
2.2.2 Board and Senior Executives Qualifications	22
2.3 Risk Management and Solvency Self-Assessment	29
2.3.1 Risk Management Process and Procedures to Identify, Measure, Manage and Report on Risk Exposures	29
2.3.2 Implementation of Risk Management and Solvency Self-Assessment systems	30
2.3.3 Relationship Between Solvency Self-Assessment, Solvency Needs and Capital and Risk Management Systems	32
2.3.4 Approval Process	33
2.4 Internal Controls	33
2.4.1 Internal Control System	33
2.4.2 Compliance Function	34
2.5 Internal Audit	34
2.5.1 Mission	34
2.5.2 Reporting Lines	35
2.5.3 Authority	35

2.5.4	Audit Coverage	35
2.5.5	Objective of Work	35
2.5.6	Communication of Results	36
2.5.7	Independence	36
2.6	Actuarial Function	36
2.6.1	Scope of Actuarial Function	36
2.6.2	Key Responsibilities of the Actuarial Function	37
2.6.3	Identification of the Users of the Actuarial Function's Work	37
2.6.4	Independence of the Actuarial Function	38
2.7	Outsourcing	38
2.7.1	Outsourcing Policy and Outsourced Functions	38
2.7.2	Material Intra-Group Outsourcing	38
2.8	Other Material Information	39
3	Risk Profile	40
3.1	Insurance Risk	40
3.1.1	Description	40
3.1.2	Measurement and Mitigation	40
3.1.3	Material Risk Concentrations	41
3.2	Market Risk	41
3.2.1	Description	41
3.2.2	Measurement and Mitigation	41
3.2.3	Material Risk Concentrations	42
3.3	Credit Risk	42
3.3.1	Description	42
3.3.2	Measurement and Mitigation	42
3.3.3	Material Risk Concentrations	42
3.4	Liquidity Risk	42
3.4.1	Description	42
3.4.2	Measurement and Mitigation	42
3.4.3	Material Risk Concentrations	43
3.5	Operational Risk	43
3.5.1	Description	43
3.5.2	Measurement and Mitigation	43
3.5.3	Material Risk Concentrations	43
3.6	Other Material Risks - Emerging Risk	44
3.7	Other Material Risks – Strategic Risk	45
3.8	Prudent Person Principle	45
3.9	Stress Testing and Sensitivity Analysis	46
3.9.1	Stress Testing	46
3.10	Other Material Information	46
4	Solvency Valuation	47
4.1	Valuation Bases and Assumptions – Assets	47

4.2	Valuation Bases and Assumptions – Technical Provisions	49
4.2.1	General Valuation Principles	49
4.2.2	Level of Uncertainty associated with Technical Provisions	52
4.3	Reinsurance Recoverables	52
4.4	Valuation Bases and Assumptions – Other Liabilities	53
4.5	Other Material Information	53
5	Capital Management	54
5.1	Eligible Capital	54
5.1.1	Capital Management Policy	54
5.1.2	Eligible Capital Description and Categorization	54
5.1.3	Eligible Capital Used to Meet the Enhanced Capital Requirement and the Minimum Solvency Margin	55
5.1.4	Transitional Arrangements	55
5.1.5	Encumbrances	55
5.1.6	Ancillary Capital Instruments	56
5.1.7	Identification of Differences in Shareholder’s Equity as Stated in the Financial Statements Versus the Available Statutory Capital and Surplus	56
5.2	Regulatory Capital Requirements	56
5.2.1	Enhanced Capital Requirement and Minimum Solvency Margin	56
5.2.2	Non-compliance with Enhanced Capital Requirement and Minimum Solvency Margin	56
5.2.3	Details of Non-compliance	56
5.2.4	Quantification of Non-compliance	57
5.3	Internal Capital Model	57
6	Subsequent Events	58
Appendix 1		60

Financial Condition Report

1 Business and Performance

1.1 Insurer Details

1.1.1 General

Aspen

Aspen Insurance Holdings Limited (“**Aspen Holdings**”, “**Aspen**” or the “**Company**”) was incorporated on May 23, 2002 as a holding company headquartered in Bermuda. We underwrite specialty insurance and reinsurance on a global basis through our Operating Subsidiaries (as defined below) based in Bermuda, the United States and the United Kingdom: Aspen Insurance UK Limited (“**Aspen U.K.**”) and Aspen Underwriting Limited (“**AUL**”) (as corporate member of our Lloyd’s operations, Lloyd’s Syndicate 4711 (“**Syndicate 4711**”), which is managed by Aspen Managing Agency Limited (“**AMAL**”), Aspen Bermuda Limited (“**Aspen Bermuda**”), Aspen Specialty Insurance Company (“**Aspen Specialty**”) and Aspen American Insurance Company (“**AAIC**”) (each referred to herein as an “**Operating Subsidiary**” and collectively referred to as the “**Operating Subsidiaries**”, with references in this Financial Condition Report (the “**Report**”) to Aspen Holdings, the Operating Subsidiaries and all other direct and indirect subsidiary entities of Aspen Holdings being, collectively, the “**Aspen Group**”, as further outlined in the organization chart in Section 1.5 below)¹. We established Aspen Capital Management, Ltd. (“**ACM**”) and other related entities (collectively, “**Aspen Capital Markets**”) to leverage our existing underwriting franchise, increase our operational flexibility in the capital markets space and provide investors with direct access to our underwriting expertise. We also have branches in Australia, Canada, Singapore, and Switzerland.

We manage our underwriting operations as two distinct business segments, Aspen Insurance and Aspen Reinsurance (“**Aspen Re**”), to enhance and better serve our global customer base. Aspen Re’s offerings include, but are not limited to, (i) property catastrophe reinsurance, (ii) other property reinsurance, (iii) casualty reinsurance, and (iv) specialty reinsurance. We offer reinsurance on both a treaty and facultative basis, and on both a proportional (or quota share) and non-proportional (or excess of loss) basis. Our reinsurance business is sourced principally through brokers and reinsurance intermediaries, with whom we aim to maintain strong relationships, having become a valued risk management partner to the leading insurers with whom we do business. We write various excess of loss contracts and proportional treaties through Aspen Bermuda. Aspen Bermuda maintains branch offices in Switzerland and Singapore. The excess of loss contracts are principally property catastrophe policies reinsuring non-affiliated insurers located mainly in the United States, Europe, and Asia Pacific. The proportional treaties principally cover property risks reinsuring non-affiliated insurers located in the United States, Europe, and Asia Pacific. We write property catastrophe, property, casualty and specialty reinsurance business through Aspen U.K. and its branches in Canada, Singapore, and Australia, as well as through Aspen Bermuda and its branches in Singapore and Switzerland. Reinsurance capacity is also now offered through AAIC, from January 1, 2022. Syndicate 4711 is managed by AMAL and AUL is the corporate member. We also access Lloyd’s Brussels through Lloyd’s Insurance Company, S.A. stamp 5383.

Our insurance segment offers a variety of insurance products consisting of (i) first party and specialty insurance, (ii) casualty and liability insurance, and (iii) financial and professional lines insurance. In our insurance segment, these products are written in the London Market primarily by Aspen U.K. and via the Lloyd’s platform and, in the United States, by AAIC and Aspen Specialty (on an admitted and excess and surplus lines basis, respectively). We also write casualty and financial and professional lines business

¹ Reference to “we”, “us” or “our” are to the Aspen Group, unless otherwise described.

through Aspen Bermuda and financial and professional lines business in the Asia Pacific region through Aspen Singapore Pte. Ltd. (“**Aspen Singapore**”), which binds business for Syndicate 4711.

We participate in the alternative reinsurance market through Aspen Capital Markets, which focuses on developing alternative reinsurance structures and products to leverage the Company’s existing underwriting franchise and increase its operational flexibility in the capital markets. Aspen Capital Markets provides investors direct access to the Company’s underwriting and analytical expertise and earns management and performance fees from the Company and other third-party investors primarily through the management of ILS funds and other offerings. It operates two distinct strategies, namely, building insurance risk portfolios tailored to investor objectives through managed funds such as Aspen Cat Fund Limited, and structuring and placing a defined Aspen portfolio aligned with capital markets investors through the use of sidecars, including Peregrine Reinsurance Ltd. (“**Peregrine**”), a special purpose insurer. Income from Aspen Capital Markets’ activities is primarily allocated to the line of business being ceded and serves to reduce acquisition expenses for that business. While Aspen Capital Markets has historically focused on property catastrophe business, in recent years, it has expanded to provide capacity for property insurance and reinsurance, specialty reinsurance and casualty insurance and reinsurance.

Aspen recognized the synergies between Aspen Capital Markets and its Outwards Reinsurance teams – combining the two into Aspen Capital Partners. This move allows us to further enable our trading partners to access the full breadth of Aspen’s capabilities, including risk sourcing, underwriting, modelling, actuarial and claims.

Additionally, our Investment operations seek to deliver stable investment income and total return through all market cycles while maintaining appropriate portfolio liquidity and credit quality to meet the requirements of our customers, rating agencies and regulators. Income from our investment operations is included in corporate and other income and expense.

Aspen Bermuda

Aspen Bermuda was incorporated under the laws of Bermuda and is a wholly owned subsidiary of Aspen Holdings. Aspen Bermuda is authorized under the Insurance Act 1978 (the “**Insurance Act**”), as amended, and related regulations to write general business as a Class 4 insurer with effect from December 9, 2002. A Class 4 insurer is defined as an insurer or reinsurer underwriting direct excess liability insurance and/or property catastrophe reinsurance risks. Class 4 insurers are required to maintain minimum capital and surplus of \$100 million. In 2019, Aspen Bermuda established a branch in Zurich, Switzerland to write property and casualty reinsurance in the UK, European, Latin American and Asian markets, from January 1, 2021. In 2021, Aspen Bermuda established a reinsurance branch in Singapore, which writes property and casualty reinsurance in Asia, from April 1, 2021.

Aspen Bermuda writes a diversified book of business which includes property, specialty and casualty reinsurance as well as direct insurance lines including, but not limited to, excess casualty and management and professional liability. Cedants are mainly located in the United States of America, Europe and the Asia Pacific region. Aspen Bermuda assumes certain risks of Aspen U.K., Aspen Specialty, AAIC, AUL, and Syndicate 4711. Aspen Bermuda also participates in quota share arrangements with Aspen U.K. and multiple quota share arrangements with Peregrine, mainly in relation to its property reinsurance business.

1.1.2 Bermuda Monetary Authority Regulation

Aspen Bermuda is regulated by the Bermuda Monetary Authority (“**BMA**”). The BMA also acts as the Group Supervisor of the Aspen Group. The BMA has named Aspen Bermuda as the designated insurer of the Aspen Group in connection with its group supervision regime. As the Designated Insurer, Aspen

Bermuda facilitates and maintains compliance by the Aspen Group with the Group Rules (as defined below).

The BMA conducts its responsibilities as Group Supervisor of the Aspen Group under the Insurance Act. Other key legislation governing group supervision are the Insurance (Group Supervision) Rules 2011, as amended, and the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011, as amended (with the Insurance Act, collectively, the “**Group Rules**”).

In accordance with the Insurance (Public Disclosure) Rules 2015, Aspen Bermuda and Aspen Group are required to prepare and publish this Report. Aspen Bermuda has applied for and received an exemption from the requirement to prepare this Report under Section 6C of the Insurance Act, provided that this Report provides information that is appropriate and specific to Aspen Bermuda’s business, as applicable. As a result, this Report includes information relating to the Aspen Group, with specific details relating to Aspen Bermuda where appropriate.

1.2 Insurance Supervisor and Group Supervisor

The BMA acts as Insurance Supervisor for Aspen Bermuda and Group Supervisor for the Aspen Group. The contact details for the BMA are as follows:

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton
HM 12
Bermuda

Jurisdiction: Bermuda
Tel: +1 441 295 5278
Email: enquiries@bma.bm

1.3 Approved Auditor

The approved auditor for the Aspen Group is KPMG LLP. The contact details for KPMG LLP are as follows:

KPMG LLP
Financial Services
15 Canada Square
London E14 5GL
United Kingdom

Jurisdiction: Global
Contact: Tom Tyler
Tel: +44 (0)20 7311 1000
Email: tom.tyler@kpmg.co.uk

The approved auditor for Aspen Bermuda is KPMG Audit Limited. The contact details for KPMG Audit Limited are as follows:

KPMG Audit Limited
Crown House
4 Par-la-Ville Road



Hamilton HM 06
Bermuda

Jurisdiction: Bermuda
Contact: Damion Henderson
Tel: +1 441 295 5063
Email: damionhenderson@kpmg.bm

See further information with respect to the approved auditor of the Company and Aspen Bermuda in Section 1.8.

1.4 Ownership Details

On February 15, 2019, the Company completed its merger with Highlands Merger Sub, Ltd. (“**Merger Sub**”), a wholly owned subsidiary of Highlands Bermuda Holdco, Ltd. (formerly known as Highlands Holdings, Ltd.) (“**Parent**”). Merger Sub merged with and into the Company (the “**Merger**”), with the Company continuing as the surviving company and as a wholly owned subsidiary of Parent. Parent, a Bermuda exempted company, is an affiliate of certain investment funds managed by affiliates of Apollo Global Management, Inc., a leading global investment manager (collectively with its subsidiaries, “**Apollo**”).

As a result of the Merger, all of the Company’s publicly traded ordinary shares were automatically canceled. The ordinary shares of the Company ceased trading on the New York Stock Exchange (“**NYSE**”) prior to the opening of trading on February 15, 2019. The Company’s preference shares and depositary shares continue to be listed on the NYSE under the following symbols: AHL PRC, AHL PRD and AHL PRE.

Following the Merger, Parent owns 100% of the Company’s issued and outstanding ordinary shares.

Aspen Bermuda is a wholly owned subsidiary of Aspen Holdings.

1.5 Group Structure Chart

Our corporate structure as at May 1, 2022 is attached in Appendix 1.

1.6 Insurance/Reinsurance Business Written by Segment and Geographical Region

1.6.1 Insurance/Reinsurance Business Written by Segment

The table below² sets forth the gross written premium (“GWP”) by business segment for the twelve months ended December 31, 2021 (the “Reporting Period”) and December 31, 2020:

	Aspen U.S. GAAP GWP \$m		Aspen Bermuda U.S. GAAP GWP \$m	
	2021	2020	2021	2020
Property catastrophe reinsurance	376.5	311.8	336.5 *	259.8 *
Other property reinsurance	473.6	399.6	298.5 *	182.1 *
Casualty reinsurance	445.5	390.5	254.3 *	199.0 *
Specialty reinsurance	301.4	554.5	340.8 *	229.8 *
Casualty and liability insurance	615.4	513.1	24.4	17.7
First party and specialty insurance	807.9	846.0	3.2	—
Financial and professional lines insurance	907.6	683.0	69.5	47.5
Carbon Syndicate	10.5	—	—	—
Total	\$ 3,938.4	\$ 3,698.5 ³	\$ 1,327.2	\$ 935.9

***Note:** Aspen Bermuda reinsures certain affiliate risks which are classified as assumed reinsurance premium, but which may be categorized as insurance premium for Aspen Group reporting purposes.

² Effective January 1, 2021, the insurance segment restructured its principal lines of business due to changes in management structures. The prior periods have been re-presented to ensure consistency of information. Carbon Syndicate relates to GWP written by Aspen Underwriting Limited’s investment in Carbon Syndicate 4747.

³ For the twelve month period ended December 31, 2020 Gross Written Premium in relation to Aspen Group has been corrected downward by 5.1 million for immaterial errors. For more information, refer to Note 26 “Correction of Immaterial Errors” of the Company’s Annual Report on Form 20-F.

1.6.2 Reinsurance Business Written by Geographical Location

The table below sets forth the gross written premium in reinsurance by geographical location, reflecting the location of the reinsured risk, for the twelve months ended December 31, 2021 and December 31, 2020:

	Aspen U.S. GAAP GWP \$m		Aspen Bermuda U.S. GAAP GWP \$m	
	2021	2020	2021	2020
Australia/Asia	185.8	180.0	123.1	108.9
Caribbean	4.6	3.4	9.2	7.3
Europe (excluding U.K.)	79.0	73.5	86.8	68.1
United Kingdom	18.6	4.9	146.0	95.2
United States & Canada ⁴	724.0	871.0	457.0	308.9
Worldwide excluding United States ⁵	28.8	21.7	25.0	15.1
Worldwide including United States ⁶	499.0	425.0	306.3	212.7
Others	57.2	76.9	76.7	54.5
Total	\$ 1,597.0	\$ 1,656.4	\$ 1,230.1	\$ 870.7

1.6.3 Insurance Business Written by Geographical Location

The table below sets forth the gross written premium in insurance by geographical location, reflecting the location of the insured risk, for the twelve months ended December 31, 2021 and December 31, 2020:

	Aspen U.S. GAAP GWP \$m		Aspen Bermuda U.S. GAAP GWP \$m	
	2021	2020	2021	2020
Australia/Asia	90.0	71.2	0.2	0.6
Caribbean	8.3	2.5	—	—
Europe (excluding U.K.)	61.6	59.5	1.4	0.9
United Kingdom	374.6	233.1	0.3	0.2
United States & Canada ⁴	1,577.9	1,371.9	18.0	16.7
Worldwide excluding United States ⁵	2.7	1.4	—	0.3
Worldwide including United States ⁶	93.1	208.4	74.5	44.7
Others	133.2	94.1	2.7	1.8
Total	\$ 2,341.4	\$ 2,042.1	\$ 97.1	\$ 65.2

⁴ “United States and Canada” consists of individual policies that insure risks specifically in the United States and/or Canada, but not elsewhere.

⁵ “Worldwide excluding the United States” consists of individual policies that insure risks wherever they may be across the world but specifically excludes the United States.

⁶ “Worldwide including the United States” consists of individual policies that insure risks wherever they may be across the world but specifically includes the United States.

1.7 Performance of Investments

1.7.1 Investment Performance

Aspen's investment strategy is focused on delivering stable investment income and total return through all market cycles while maintaining appropriate portfolio liquidity and credit quality to meet the requirements of our customers, rating agencies and regulators. To enhance investment returns where possible, we tactically adjust the duration of the investment portfolio and asset allocation taking into account the average liability duration of our reinsurance and insurance risks and our views of interest rates, the yield curve, credit spreads and markets for different assets.

Our overall portfolio strategy remains primarily focused on high quality fixed income investments including collateralized loan obligations ("CLO's"), with diversification into unrated private fixed and floating rate investments and other alternative classes. These securities generally pay a higher rate of interest or return and may have a higher degree of credit or default risk.

At the end of 2021, the company had a 2.0% position in real estate funds and 3.6% of our investment assets were invested in private, secured CML and private, secured MML. The Strategic Asset Allocation "SAA" which began in 2019 has been discussed with the BMA and will continue to be deployed taking into account the need to maintain portfolio liquidity, credit quality, capital strength and risk limits to ensure the Company continues to meet its primary obligations to policyholders.

Aspen

As at December 31, 2021 and December 31, 2020, the fair values of Aspen's investment portfolio split by asset class were as follows:

Asset Class	U.S. GAAP Market Value \$m	
	2021	2020
U.S. government	1,200.6	1,221.7
U.S. agency	21.5	34.3
Municipal	86.6	70.6
Corporate	2,305.1	376.6
Non-U.S. government-backed corporate	149.9	63.4
High yield loans	76.9	9.8
Non-U.S. government	285.2	49.0
Asset-backed	786.2	1,512.2
Non-agency commercial mortgage-backed	6.9	2.3
Agency mortgage-backed	1,120.2	1,863.8
Short-term investments	12.1	123.2
Catastrophe bonds	3.4	18.8
Privately-held investments	307.1	299.3
Other investments, equity method	3.9	0.9
Other investments ⁷	151.3	109.4
Total Investments	\$ 6,516.9	\$ 5,755.3

The book yield of the Aspen fixed income portfolio for the Reporting Period was 2.10% (2020: 2.34%).

⁷ Total other investments represents our investments in real estate funds.

Aspen Bermuda

As at December 31, 2021 and December 31, 2020, the fair values of Aspen Bermuda's investment portfolio split by asset class were as follows:

Asset Class	U.S. GAAP Market Value \$m	
	2021	2020
U.S. government	336.8	415.2
U.S. agency	5.8	6.1
Municipal	30.0	35.1
Corporate	691.6	670.1
Non-U.S. government-backed corporate	13.1	6.2
High yield loans	7.4	9.8
Non-U.S. government	37.8	43.7
Asset-backed	472.9	489.9
Non-agency commercial mortgage-backed	1.6	1.7
Agency mortgage-backed	454.6	448.6
Short-term investments	3.2	34.4
Privately-held investments	161.9	295.0
Other investments ⁵	129.9	109.4
Total Investments	\$ 2,346.6	\$ 2,565.2

The book yield of the Aspen Bermuda fixed income portfolio for the Reporting Period was 3.73% (2020: 3.21%).

1.7.2 Material Income and Expenses

Aspen

Aspen's main sources of income are from its underwriting and investing activities. During the Reporting Period Aspen generated \$2,410.5 million (2020: \$2,527.5 million) of net earned premiums from underwriting activities and \$156.3 million (2020: \$225.7 million) of net return from its investment portfolio⁸. Aspen's main sources of expenses are losses and loss adjustment expenses totaling \$1,693.3 million (2020: \$1,840.8 million), amortization of policy acquisition costs of \$414.1 million (2020: \$465.7 million) and general, administrative and corporate expense totaling \$418.0 million (2020: \$410.9 million) during the Reporting Period.

Loss and loss adjustment expenses decreased by -\$147.5 million in 2021 compared to 2020 primarily due to improved current year underlying claims performance, decrease in large losses of \$7.2 million and a \$34.1 million decrease in catastrophe losses, offset by a \$46 million unfavourable movement in prior year development.

⁸ Net return from investment portfolio includes net investment income and net realized and unrealized gains and losses recognised through the income statement.

Aspen U.S. GAAP Catastrophe Losses \$m		
	2021	2020
Reinsurance		
Catastrophes	255.0	115.3
COVID-19	—	128.7
Total Reinsurance Catastrophes	255.0	244.0
Insurance		
Catastrophes	71.7	64.3
COVID-19	—	52.5
Total Insurance Catastrophes	71.7	116.8
Total	\$ 326.7	\$ 360.8

In 2021, our reinsurance segment experienced \$255.0 million of catastrophe losses, net of reinsurance recoveries, including \$97.5 million from Hurricane Ida, \$61.1 million from U.S. winter storms, \$65.7 million from European floods, and \$30.7 million of other weather-related events. Large losses experienced in our reinsurance segment during 2021 were \$21.7 million, comprised of \$4.7 million of satellite related losses, \$12.5 million of fire damage related losses and \$4.5 million of cyber related losses.

In 2021, the insurance segment experienced \$71.7 million of catastrophe losses, net of reinsurance recoverables, due to \$25.6 million from U.S. winter storm losses, \$23.2 million from Hurricane Ida and \$22.9 million from other weather-related events. Large losses experienced during 2021 were \$34.6 million, comprised of \$13.7 million of fire related losses, \$5.9 million of property damage related losses, \$6.0 million of crisis related losses and \$9.0 million related to cyber crime.

Reserve releases in the reinsurance segment totalled \$134.4 million in the current period compared with \$36.1 million in the twelve months ended December 31, 2020. Reserve releases in 2021 were primarily from specialty reinsurance and casualty reinsurance. The reserve releases in 2020 were primarily from casualty reinsurance, property catastrophe reinsurance and specialty reinsurance, partially offset by strengthening on other property reinsurance lines.

In 2021, there was net unfavorable reserve development in the insurance segment of \$179.5 million compared with \$35.2 million in the twelve months ended December 31, 2020. The net unfavorable reserve development was primarily from deterioration of legacy lines business including international marine and energy liability and accident and health, plus further deterioration within continuing U.S. primary casualty lines and the recognition of opioid provision. This has been partially offset by reserve releases on a number of classes following good claims experience and recognition of recoveries on the ADC.

Other income and expenses, including debt interest, net foreign exchange gains and losses, and changes in the fair value of derivatives increased net expenses by a further \$6.3 million (2020: \$73.8 million) during the Reporting Period. The decrease in 2021 compared to 2020 is primarily due to foreign exchange gain of \$40.0 million compared to a loss of \$13.8million, decrease in interest on long term debt in 2021 due to the one off interest payment for the ADC in 2020 and a decrease in change in value of derivatives

Aspen Bermuda

Similarly, Aspen Bermuda's main sources of income are from its underwriting and investing activities. During the Reporting Period Aspen Bermuda generated \$816.3 million (2020: \$660.7 million) of net revenue from underwriting activities and \$86.6 million (2020: \$108.7 million) of net return from its investment portfolio. The main sources of Aspen Bermuda's expenses are losses and loss adjustment expenses totalling \$626.5 million (2020: \$520.9 million), amortization of policy acquisition costs of \$195.3 million (2020: \$160.2 million), change in fair value of derivatives of \$13.0 million (2020: \$86.5 million) and operating expenses of \$51.6 million (2020: \$40.6 million) during the Reporting Period.

Loss and loss adjustment expenses increased of \$105.6 million in 2021 compared to 2020. Overall, prior year reserves increased by \$40.6 million (2020: increase of \$26.9 million) during the Reporting Period mainly due to changes in ultimate loss estimates as a result of adverse development on International Casualty lines and US Casualty business.

Other income and expenses, including other underwriting income and changes in foreign exchange gains and losses increased net income by a further \$25.0 million (2020: decrease of \$10.5 million) during the Reporting Period.

1.8 Other Material Information

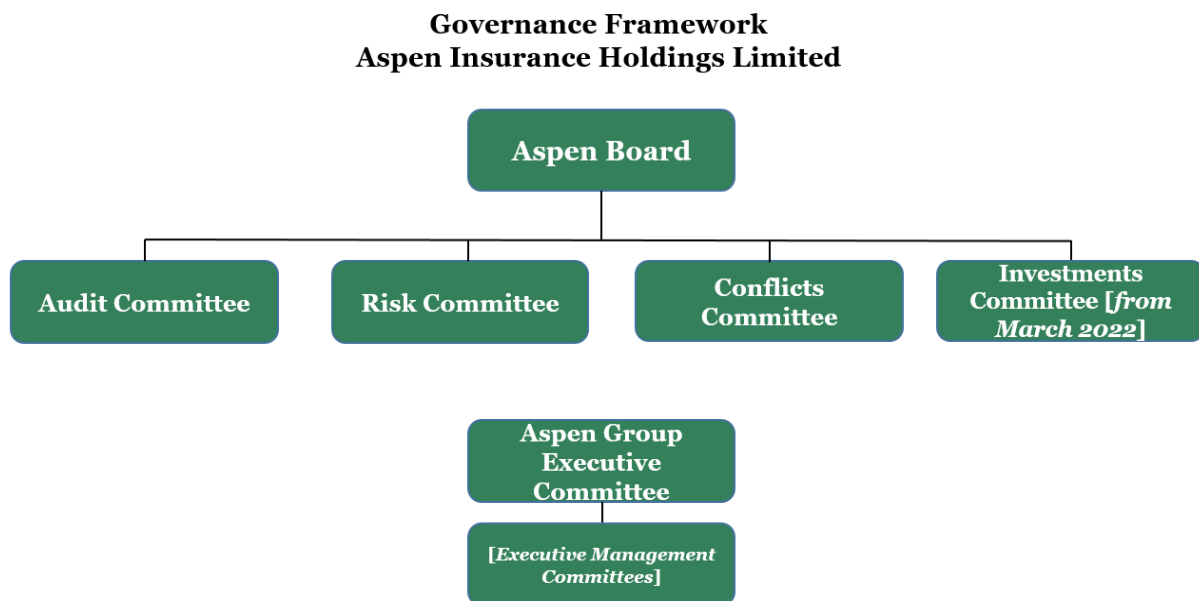
See "Subsequent Events" below.

The Company, including Aspen Bermuda, intends to engage Ernst & Young LLP ("EY") as its independent registered public accountant in connection with its fiscal year ending December 31, 2022, subject to regulatory approvals, completion of internal governance processes of both the Company and EY and other standard audit procedures. Further information in respect of this can be found in Item 16F of the Company's Annual Report on Form 20-F for the year ended December 31, 2021.

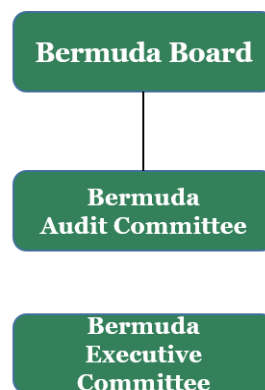
2 Governance Structure

2.1 Board of Directors and Senior Executive

2.1.1 Structure of the Board of Directors and Senior Executive, Roles and Responsibilities and Segregation of these Responsibilities



**Governance Framework
Aspen Bermuda Limited**



Aspen Holdings

Following the Merger, the Board of Directors no longer has a standing Corporate Governance and Nominating Committee. The functions of the Corporate Governance and Nominating Committee are now performed by the Board of Directors.

In December 2020, the Compensation Committee was dissolved and functions of the committee are now performed by the Board of Directors. In September 2020, a Conflicts Committee was established to review certain material transactions between Aspen Holdings and/or its subsidiaries and Apollo or its non-Aspen affiliates that may present a conflict of interest.

Listed in the table below are the directors of the Board of Directors of Aspen Holdings (the “**Board**”) as at December 31, 2021 with changes through to May 31, 2022:

Name	Board Position	Additional Responsibilities
Mark Cloutier	Chairman / Executive Director	Chair of the Risk Committee
Albert Beer	Non-Executive Director	Member of Audit, Risk, and Conflicts Committees
Joshua Black	Non-Executive Director	Member of Risk Committee
Theresa Froehlich	Non-Executive Director	Chair of Conflicts Committee, Member of Investments Committee (<i>with effect from March 31, 2022</i>)
Alexander Humphreys	Non-Executive Director	Member of Risk Committee and Investments Committee (<i>with effect from March 31, 2022</i>)
Richard Lightowler	Non-Executive Director	Chair of Audit Committee
Gernot Lohr	Non-Executive Director	N/A
Tammy Richardson-Augustus	Non-Executive Director	Chair of Investments Committee, (<i>with effect from March 31, 2022</i>), Member of Conflicts Committee
Michael Saffer	Non-Executive Director	Member of the Risk Committee

The Investment Committee was re-constituted as a formal standing sub-committee of the Board in March 2022. Membership information is included in the table above, as at May 31, 2022, with full details as to the scope and purpose of the Investment Committee to be provided in the Financial Condition Report of the Company in connection with the financial year ending December 31, 2022.

Listed in the table below are senior management of the Aspen Group as at the date of this report:

Name	Position
Mark Cloutier	Group Chief Executive Officer and Executive Chairman of the Board
Christopher Coleman	Group Chief Financial Officer
Christian Dunleavy	Group Chief Underwriting Officer (<i>with effect from January 1, 2022</i>)
Bruce Eisler	Chief Underwriting Officer - Insurance
Aileen Mathieson	Group Chief Investment Officer
Andrew Rippert	Chief Underwriting Officer - Reinsurance
Brian Tobben	Chief Executive Officer - Aspen Capital Partners

Mark Pickering, who serves as Group Chief Capital Management Officer & Group Treasurer, represents the Aspen Group as Principal Representative to the BMA.

Oversight of Risk Management Matters

The Board considers effective identification, measurement, monitoring, management and reporting of the risks facing our business to be key elements of its responsibilities and those of the Group Chief Executive Officer and management. Matters relating to risk management that are reserved for the Board include approval of the internal controls and risk management framework and any changes to the Aspen Group's risk appetite statement and key risk limits. On a quarterly basis, the Group Chief Risk Officer ("**Group CRO**") provides to the Risk Committee of the Board a comprehensive risk report that covers all aspects of Aspen's risk profile (the "**CRO Report**"). The CRO Report is a mechanism through which the Board monitor compliance with the Aspen Group's risk appetite, risk tolerance, and risk limits. The CRO Report includes an overview of the financial condition of the Aspen Group, including the adequacy of capital and liquidity against regulatory requirements and internal targets, the risk position against key risk limits, and other quantitative views of risk. Additionally, the CRO Report includes an overview of the operational risk assessment including internal control deficiencies, operational events, and other risk developments as deemed appropriate.

As a result of these arrangements and processes, the Board, assisted by management and the various standing committees of the Board (the "**Board Committees**"), is able to exercise effective oversight of the operation of the risk management strategy.

Board Committees⁹

The Board delegates oversight of the management of certain key risks to its Risk, Audit and Conflicts Committees. The Audit and Conflicts Committees are comprised entirely of independent directors and the chairs of the Board Committees report regularly to the Board on the committees' discussions.

Risk Committee: the Risk Committee assists the Board in its oversight of the framework that governs risk management and solvency assessment practices group-wide as articulated in the Board approved Group Risk Policy. This specifically includes oversight of processes undertaken by management to identify, evaluate and mitigate the material risks to the Group's strategic objectives, as well as monitoring adherence to the Board approved Risk Appetite Framework, solvency indicators, risk tolerance criteria, and key risk limits.

Audit Committee: the Audit Committee is primarily responsible for assisting the Board in its oversight of the integrity of the financial statements. The Audit Committee is also responsible for reviewing the adequacy and effectiveness of the Company's internal controls, including the accounting and financial reporting process of the Company and audits of the Company's financial statements, and oversight of both internal and external auditors. In addition, the Audit Committee oversees the Company's compliance with applicable laws and regulations.

Conflicts Committee: the Conflicts Committee reviews certain material transactions between Aspen Holdings and/or its subsidiaries and Apollo or its non-Aspen affiliates that may present a conflict of interest.

Management Committees

The Group Chief Executive Officer maintains an executive committee (the "**Group Executive Committee**"), which is the primary executive committee of the Company. It is comprised of global heads of key functions and other key business leads and is responsible for advising the Group Chief Executive

⁹ The Investment Committee was established as a formal standing sub-committee of the Board in March 2022. Details will be provided in the Financial Condition Report of the Company in connection with the financial year ending December 31, 2022.

Officer and assisting in the execution of his responsibilities to the Board, including with respect to matters relating to the overall strategy and conduct of the Aspen Group's business.

There are various standing committees (the “**Executive Management Committees**”) of the Group Executive Committee, which have oversight of certain business, operational and risk management processes and support the Group Executive Committee in the achievement of its objectives. As at December 31, 2021, these included:

Investment Committee: The Investment Committee establishes the Group's investment policy and guidelines and supervises investment activity, in accordance with the investment plan, which includes the investment strategy as determined by the Board. The Investment Committee is primarily responsible for monitoring the Aspen Group's investment results and performance against our investment objectives and guidelines.

Risk Management Committee: The primary purpose of the Risk Management Committee is to assist the Group CRO in her oversight duties in respect of the design and operation of the Aspen Group's risk management systems. In particular, the Risk Management Committee has specific responsibilities in relation to the internal model and for the establishment of risk limits for accumulating underwriting and investment exposures and monitoring solvency and liquidity requirements.

Reserve Committee: The Reserve Committee is responsible for managing reserving risk and making recommendations to the Group Chief Executive Officer and the Group Chief Financial Officer relating to the appropriate level of reserves to include in the Aspen Group's financial statements.

Underwriting Committee: The purpose of the Underwriting Committee is to assist the Group Chief Executive Officer in his oversight duties in respect of the management and control of overall underwriting risk.

Operations Committee: The purpose of the Operations Committee is to oversee the Aspen Group's operational support functions to ensure that they are strategically aligned with each other and the business functions, in order to provide coordinated, efficient and cost-effective operational support to the execution of the Aspen Group's strategic objectives.

The governance framework of the Executive Management Committees was restructured in February 2022, in order to enhance and streamline the management, oversight and reporting of such business, operational and risk management processes. Full details as to the scope and purpose of the revised Executive Management Committee structure will be provided in the Financial Condition Report of the Company in connection with the financial year ending December 31, 2022.

Aspen Bermuda

Listed in the table below are the directors of Aspen Bermuda’s Board of Directors (the “**Bermuda Board**”) as of December 31, 2021 and May 31, 2022:

Name	Board Position	Additional Responsibilities
Greg Morrison	Chairman / Non-Executive Director	Member of Aspen Bermuda Audit Committee
Albert Beer	Non-Executive Director	Chair of Aspen Bermuda Audit Committee
J. Bryan Astwood	Non-Executive Director	Member of Aspen Bermuda Audit Committee
Mark Pickering	Executive Director	Chief Executive Officer Principal Representative to the BMA
Christian Dunleavy	Executive Director	Chief Underwriting Officer
Sybrand Van Niekerk	Executive Director	Chief Financial Officer

Listed in the table below are the statutory officers of Aspen Bermuda as of December 31, 2021 and May 31, 2022:

Name	Position
Mark Pickering	Chief Executive Officer Principal Representative to the BMA
Christian Dunleavy	Chief Underwriting Officer (with effect January 1, 2022, having formerly served additionally as Chief Executive officer)
Sybrand Van Niekerk	Chief Financial Officer
David Amaro	General Counsel & Corporate Secretary
Jenny Kane	Chief Risk Officer (<i>with effect from January 1, 2022</i>)

Oversight of Risk Management Matters

Aspen Bermuda is governed by the Bermuda Board. The Bermuda Board is ultimately responsible for the sound and prudent governance and oversight of Aspen Bermuda and for ensuring that corporate governance policies and practices are developed and applied in a prudent manner that promotes efficient, objective and independent judgment and decision-making by the Bermuda Board. Accordingly, certain aspects of Aspen Bermuda’s operations must be referred to and approved by the Bermuda Board, including, but not limited to, business planning (both underwriting and investments), the setting of reserves and approval of accounts and regulatory returns, approval of Aspen Bermuda’s commercial insurer’s solvency self-assessment (“**CISSA**”) and use of the Internal Model as it relates to Aspen Bermuda, the paying of dividends and the approval of material transactions.

Bermuda Board Committees

The Bermuda Board delegates oversight of the management of certain key risks to its Audit Committee (the “**Bermuda Audit Committee**”). The Bermuda Audit Committee assists the Bermuda Board in its oversight of (i) the statutory audit process; (ii) Aspen Bermuda’s compliance with legal and regulatory requirements and accounting standards; (iii) the reserving process for risks underwritten by Aspen Bermuda; (iv) the performance of Aspen Bermuda’s internal audit function; and (v) Aspen Bermuda’s financial returns and reports to the BMA and any other relevant regulator.

The Bermuda Audit Committee maintains a charter setting out its responsibilities, membership and operating procedures.

Management Committees

Aspen Bermuda's Chief Executive Officer ("**Aspen Bermuda CEO**") chairs an executive committee (the "**Bermuda Executive Committee**") which advises the Aspen Bermuda CEO on matters relating to the strategy of the Company and how to manage, direct, control and coordinate its business activities. The Bermuda Executive Committee consists of individuals who lead or have oversight of the key functions of Aspen Bermuda. The Bermuda Executive Committee meets regularly throughout the year.

The Bermuda Executive Committee maintains a terms of reference setting out its responsibilities, membership and operating procedures.

Being part of the Aspen Group structure, the Bermuda Board recognizes that certain matters which impact upon Aspen Bermuda will be assessed by Executive Management Committees. To ensure involvement in the decision-making process, Aspen Bermuda is represented on a number of Executive Management Committees with regular feedback provided to both the Bermuda Board and the Bermuda Executive Committee.

2.1.2 Remuneration Policy

In order to ensure that we can recruit and maintain high-caliber executives and employees, our goal is to pay base salaries that are competitive against comparable roles in the market. This, in turn, enables the Company to operate a flexible bonus scheme, the application of which is based upon actual performance and measured against a range metrics, but ultimately at the discretion of the Compensation Oversight Group. Annual cash bonuses are intended to reward executives and employees for our consolidated annual performance and for individual and team achievements and contributions to the success of the business over the previous financial year, and is designed to foster alignment of shareholder, management and employee interests. The individual elements of compensation packages comprise fixed pay (base salary), benefits like pension, private medical etc. and performance-related pay (consisting of annual bonus awards and long-term incentive awards).

The Group Compensation Policy states that our remuneration arrangements do not promote inappropriate risk taking, and link compensation to achievement of financial and strategic goals. The Compensation Oversight Group approves an overall annual bonus pool formula for the Group, following recommendations from management and taking into account the business results of the Group. Whilst a formula is used in the creation of this pool, the Compensation Oversight Group is not bound to use it and remains free to make adjustments based on its own views as to the Group's performance and adherence to the Group's risk management framework. Each business segment and control function of the Company may be allocated a bonus pool which they are able to distribute between their teams or across product lines, based on discretionary financial and non-financial factors.

At the individual level, the Company facilitates an annual performance review and management process, in accordance with established policies. Such performance ratings are factored into remuneration decisions and are linked to both financial and non-financial metrics, including employee behaviour and the Company's overall risk profile.

Non-executive directors may receive annual director fees, in addition to a fee for attendance at each meeting of the Board. The compensation of non-employee directors may be periodically benchmarked against peer companies. Directors who are executive officers of Aspen or employees of Apollo are not paid additional compensation for serving as directors.

2.1.3 Supplementary/Early Retirement Schemes

The Group has adopted defined-contribution plans in the UK and Bermuda, with contributions to such plans being made by the applicable Aspen entity, based on a percentage of pensionable earnings for eligible employees, and the employees, either on a voluntary or compulsory basis, in accordance with local rules and practices. The Group also maintains a 401(k) plan in the United States, along with an alternative compensation plan for certain eligible US employees. There is no supplementary pension or early retirement scheme for board members of Aspen Holdings, board members of subsidiary entities or for senior executives.

2.1.4 Material Transactions

Apollo's indirect subsidiary, Apollo Asset Management Europe PC LLP ("**AAME**"), serves as the investment manager for the Company and certain of the Company's subsidiaries, including Aspen Bermuda, and Apollo's indirect subsidiary, Apollo Management Holdings, L.P. ("**AMH**"), provides the Company with management consulting services and advisory services.

Additionally, certain employees of Apollo and its affiliates serve on the Group Board.

A description of relationships we have with Apollo and its affiliates and transactions that have existed or that we have entered into with Apollo and its affiliates are described below.

AAME serves as the Company's investment manager and the investment manager for certain of our subsidiaries, and provides centralized asset management investment advisory and risk services for the portfolio of our investments and investments of such subsidiaries pursuant to the investment management agreements ("**IMAs**") that have been entered into with AAME.

In addition, pursuant to the IMAs, AAME may engage sub-advisors or delegates to provide certain of the investment advisory and management services to our subsidiaries. Such sub-advisors may include affiliates of AAME.

Under each of the IMAs, AAME will be paid an annual investment management fee (the "**Management Fee**") which will be based on a cost-plus structure. The "cost" is comprised of the direct and indirect fees, costs, expenses and other liabilities arising in or otherwise connected with the services provided under the IMAs. The "plus" component will be a mark-up in an amount of up to 25% determined based on an applicable transfer pricing study. The Management Fee will be subject to certain maximum threshold levels, including an annual fee cap of 15 bps of the total amount of investable assets. Affiliated sub-advisors, including AMI and AMC, will also earn additional fees for sub-advisory services rendered.

Management Consulting Agreement

As previously disclosed, the Company entered into a Management Consulting Agreement, dated March 28, 2019 (the "**Management Consulting Agreement**"), with AMH. Pursuant to the Management Consulting Agreement, AMH will provide us with management consulting and advisory services related to the business and affairs of the Company and its subsidiaries and we will pay to AMH in consideration for its services under the Management Consulting Agreement an annual management consulting fee equal to the greater of (i) 1% of the consolidated net income of the Company and its subsidiaries for the applicable fiscal year, and (ii) \$5 million.

2.2 Fitness and Propriety requirements

2.2.1 Fit and Proper Process

The boards of Aspen, Aspen Bermuda, Aspen U.K., AMAL, ACM and other Operating Subsidiaries periodically perform Board effectiveness reviews at the discretion of their relevant Chairs. The Chair of the Board will direct the specific review process undertaken by each Operating Subsidiary, in collaboration with the Secretary. The Chair or Board may also conduct a periodic assessment of a Board's skills and competencies and independence, in accordance with applicable requirements, which may include whether the applicable Board and relevant board committee members meet the standards required by applicable regulatory guidance. The Board also conducts an annual conflict of interest assessment.

All employees, including senior executives, are subject to an annual performance review process which confirms that the fitness and propriety standards established for their given role remains appropriate. The performance review also ensures that the person undertaking that role is adhering to the expected conduct standards and remains suitably qualified, through a review of required knowledge, competence, qualifications and, where necessary, development requirements. Aspen U.K. and AMAL have an annual attestation process for all individuals falling under the Senior Managers and Certification Regime. Approval of the Board is required for employment of the Group Chief Executive Officer ("**Group CEO**") and the Board has oversight of Group CEO succession planning.

Background checks are conducted on all staff at the point of recruitment and third party suppliers are utilized to perform such checks as appropriate, in accordance with documented procedures.

A number of the jurisdictions in which we operate have specific 'fitness and propriety' requirements for the senior managers of the local entities. These fit and proper requirements are dealt with at entity level.

2.2.2 Board and Senior Executives Qualifications

Aspen Holdings

Directors

The qualifications of the directors of the Board as of May 31, 2022 were as follows:

Mark Cloutier

Executive Chairman of the Board and Chair of the Risk Committee
Group Chief Executive Officer

Mr. Cloutier was appointed Executive Chairman and Group Chief Executive Officer of Aspen on February 15, 2019. Mark had previously been Executive Chairman of the Brit Group, a Lloyd's of London insurer, since January 2017 and prior to this, he was Chief Executive Officer of the Brit Group from October 2011 following its acquisition by Apollo and certain other private equity firms. As Chief Executive Officer of the Brit Group, Mr. Cloutier led a major restructuring of the Brit Group's global business, the successful listing on the London stock exchange through an initial public offering in 2014 as well as the subsequent acquisition of the business by Fairfax Financial Holdings in 2015.

With over 35 years' experience working in the international insurance and reinsurance sector in multiple jurisdictions including Canada, the United States, the United Kingdom, Bermuda, Continental Europe, Asia, China and South Africa, Mr. Cloutier has held a number of CEO and senior executive positions, including Chief Executive Officer of the Alea Group, Chief Executive Officer of Overseas Partners Re and President of E.W. Blanch Insurance Services Inc. He was a member of the Franchise Board and Audit

Committee of the Society of Lloyd's between February 2015 and June 2020 and was appointed to the Nomination and Governance Committee in February 2017.

Mr. Cloutier has worked with a variety of private equity investors including Apollo Management International LLP, CVC Capital Partners, Kohlberg Kravis Roberts (KKR) and Fortress. He started his career in British Columbia, Canada with Brouwer and company independent loss adjusters before moving on to form his own firm, Maxwell Cloutier Adjusters Ltd. Mr. Cloutier also serves as a member of the Board of Overseers of The Greenberg School of Risk Management, Insurance and Actuarial Science, at St. John's University.

Albert J. Beer

Non-Executive Director

Member of the Audit, Conflicts and Risk Committees

Mr. Beer has been a director of the Company since July 2019, after having previously served on the board from February 2011 until February 2019, and participates as a member of its Risk Committee, Audit Committee and Conflicts Committee. Mr. Beer is also a director of the Company's wholly-owned subsidiary, Aspen Bermuda Limited, where he also serves as the chair of the Audit Committee of that entity. Mr. Beer serves as The Michael J Kevany/XL Chair, The Greenberg School of Risk Management, Insurance and Actuarial Science at St. John's University, having joined St. John's in 2006. Mr. Beer has over 40 years of actuarial and management experience, having held various senior executive positions at American Re-Insurance Corporation (Munich Re America) and, prior to that, at Skandia America Reinsurance Corporation. He has been a board member of United Educators Insurance Company since 2006, and currently chairs its audit committee. Since 2009, Mr. Beer has been a Trustee Emeritus for the Actuarial Foundation. Mr. Beer graduated Phi Beta Kappa from Manhattan College with a B.S. in Mathematics and holds an M.A. in Mathematics from the University of Colorado. He is also a fellow of the Casualty Actuarial Society.

Joshua Black

Non-Executive Director

Member of the Risk Committee

Mr. Black is a Partner in the Private Equity and Financial Institutions Groups at Apollo. Mr. Black focuses on a wide range of financial service industries, including insurance, asset management, and yield. Prior to joining Apollo, Mr. Black was a member of the Leveraged Finance Product Group at Goldman Sachs & Co., having worked previously in the Financial Institutions Industry Group. Mr. Black currently sits on the board of Sun Country Airlines, Tegra, Huddle House, Ambrosia, Somerset Partners, Pacific Quick Serve (BK Franchisee), ESW, Volotea, and Augustus Specialty. He also sits on the boards of MOMA PS1 and The Juilliard School. Mr. Black previously served on the boards of Exela Technologies, Tegra Topco, L.P. and Sun Country Airlines. Mr. Black graduated cum laude from Princeton University with a B.A. in Religion.

Theresa Froehlich

Non-Executive Director

Chair of the Conflicts Committee & Member of the Investments Committee

Ms. Froehlich has been a director of the Company since June 11, 2020. In addition, Ms. Froehlich serves as chair of the boards of directors of both Aspen U.K. and AMAL, as well as interim chair of the Risk Committee of AMAL and a member of the Audit Committees and Governance and Nomination Committees of both Aspen U.K. and AMAL. She has over 25 years of management experience in the financial services industry. From 2010 to 2016, Ms. Froehlich held senior roles at the specialist Lloyd's of London insurance and reinsurance marketplace, including interim director of performance management, where she was responsible for all commercial aspects of oversight of the marketplace and setting underwriting standards, and also head of underwriting performance. Before Lloyd's, she worked in Zurich as a Managing Director for Swiss Re in various roles. Having started there in private equity, she later took

on senior management roles which included portfolio management of structured reinsurance products, driving transformation and strategic initiatives and serving as the Head of Transactions UK at Admin Re. She currently serves as the Senior Non-Executive Director of Scottish Equitable Plc, and as a Non-Executive Director and Chair of the Audit Committee of Managing Agency Partners Ltd. since 2017 and served as Non-Executive Director of Starr International Europe Limited and Starr Managing Agents Limited from 2017-2020 where she chaired the Remuneration Committee and was a member of the Audit and Risk Committees. Ms. Froehlich started her career as a commercial solicitor in Scotland before moving into M&A and structured finance.

Alex Humphreys
Non-Executive Director
Member of the Risk and Investment Committees

Mr. Humphreys is a Partner at Apollo, which he joined in 2008. Prior to this, Mr. Humphreys worked at Goldman Sachs in its financial institutions M&A team. Mr. Humphreys also currently serves on the boards of various Apollo portfolio companies including Athora Holding, Ltd, Catalina Holdings (Bermuda) Ltd., and Amissima Holdings, S.r.l. He previously served on the board of directors of Luminescence Cooperatief U.A., HD Finance Holdings Limited (parent of Haydock Finance Holdings Limited), Latecoere S.A., and Seguradoras Unidas S.A. (parent of Tranquilidade). He was appointed as a Director of the Board on February 15, 2019 and, in addition to being a member of the Compensation and Risk Committees, he is also a member of the board of Highlands Bermuda Holdco, Ltd., Highlands Manco, Ltd. and Highlands Holdings Bond Issuer, Ltd.

Richard Lightowler
Non-Executive Director
Chair of the Audit Committee

Mr. Lightowler has over 25 years' experience in financial services public accounting focused on reinsurance and insurance clients, including non-life and life, primary and reinsurance, run-off as well as specialized risk vehicles, including ILS structures and segregated cell companies. He was a Partner with KPMG from 1998 to 2016, where he spent over 16 years serving as global lead audit partner for SEC registrants as well as reinsurance groups listed on the London Stock Exchange. He also served as Head of the KPMG Bermuda Insurance Practice. He has significant private and public equity and debt offering experience and has worked on a number of cross-border mergers and acquisitions including Buy- side/ Sell-side due diligence, structuring and post-acquisition integration. Mr. Lightowler is currently a Non-Executive Director of Hansa Investment Company Limited, Geneva Re Limited, Oakley Capital Investments Limited, Somersfield Academy and Bermuda Red Cross. Mr. Lightowler was appointed as a Director of the Board on December 10, 2020.

Gernot Lohr
Non-Executive Director

Mr. Lohr is a Senior Partner and Global Head of the Financial Institutions Group at Apollo, which he joined in May 2007. Prior to joining Apollo, Mr. Lohr was a founding partner at Infinity Point LLC, Apollo's joint venture partner for the financial services industry, since 2005. Before that time, Mr. Lohr spent eight years in financial services investment banking at Goldman Sachs & Co in New York and also worked at McKinsey & Company and B. Metzler Corporate Finance in Frankfurt. Currently, Mr. Lohr serves on the board of directors of Athora Holding, Ltd. and Catalina Holdings. Mr. Lohr has previously served on the board of directors of Tranquilidade, Amissima Vita S.p.A., Amissima Assicurazioni S.p.A., Bremer Kreditbank Aktiengesellschaft, Nova Kreditna banka Maribor d.d., Oldenburgische Landesbank and KBS Banka d.d. Mr. Lohr has a joint Master's Degree in Economics and Engineering from the University of Karlsruhe, Germany, and received a Masters in Business Administration from the MIT Sloan School of Management.

Tammy L. Richardson-Augustus***Non-Executive Director******Chair of the Investments Committee, Member of the Conflicts Committee***

Ms. Richardson-Augustus has over 20 years of legal experience and since 2007 has been a partner and a member of the Bermuda corporate department of Appleby, a leading global provider of offshore legal and fiduciary services. Ms. Richardson-Augustus provides transactional and corporate governance advice to corporate clients (including but not limited to developing a framework of prudent and effective policies for board committees). Ms. Richardson-Augustus maintains a diversified business transactions practice, with emphasis on domestic and international mergers and acquisitions, joint ventures, capital markets and securities, secured and unsecured lending transactions and general corporate governance matters. She has extensive experience working with clients in a wide range of industries, including in energy, oil and gas exploration, and maritime shipping. Ms. Richardson-Augustus currently serves on numerous boards including, inter alia, on the regulatory board (Bermuda Monetary Authority), statutory board (Bermuda Deposit Insurance Corporation) and on the board of Polaris (a company listed on the Bermuda stock exchange) and is a member of the Bermuda Bar Association and is a justice of the peace.

Michael Saffer***Non-Executive Director******Member of the Risk Committee***

Mr. Saffer is a Principal in the London Private Equity team at Apollo, having joined in 2015. Prior to joining Apollo, he was a member of the M&A group at Credit Suisse in London. Mr. Saffer has been involved in various private equity transactions including Apollo's acquisition of Oldenburgische Landesbank (formerly known as Bremer Kreditbank AG), Catalina Holdings (Bermuda) Ltd., Aspen Insurance Holdings Limited and Covis Group S.a.r.l. Mr. Saffer was appointed as a Director of the Board on February 15, 2019 and is also a member of the boards of Highlands Bermuda Holdco, Ltd., Highlands Manco, Ltd., Highlands Holdings Bond Issuer, Ltd., Covis Group S.a.r.l. and Lottomatica S.p.a (f/k/a Gamenet Group S.p.A. Mr. Saffer graduated from the University of Nottingham with a BSc in Economics.

Senior Management

The qualifications of the senior management of Aspen as of May 31, 2022 were as follows:

Mark Cloutier***Group Chief executive Officer******Executive Chairman of the Board***

Refer to Mr. Cloutier's biographical information above.

Christopher Coleman***Group Chief Financial Officer***

Mr. Coleman was appointed Group Chief Financial Officer, effective October 19, 2021. Mr. Coleman was most recently CFO of Third Point Re until its merger with Sirius Group. Mr. Coleman has strong transaction and capital markets experience, including the recent acquisition of Sirius Group by Third Point Re, Third Point Re's IPO as well as having had key roles in a number of other merger, debt and equity transactions during his career. Mr. Coleman also served as CFO of Alterra Bermuda Limited, was Chief Accounting Officer for Harbor Point Limited and held a senior audit manager role with PwC.

Christian Dunleavy
Group Chief Underwriting Officer

Mr. Dunleavy joined Aspen in 2015 as Head of Global Property Catastrophe. Mr. Dunleavy assumed the role of Group Chief Underwriting Officer in January 2022, while retaining his responsibilities as Chief Underwriting Officer of Aspen Bermuda, to which he was appointed in May 2017. He serves as a director of Aspen Bermuda. Mr. Dunleavy also previously served as Chief Underwriting Officer of Aspen Re and CEO of Aspen Bermuda. He had previously been at Axis Reinsurance where he was a Senior Vice President, responsible for U.S. Property Treaty, Caribbean Property and Workers Compensation Catastrophe business. Prior to joining Axis in 2002, Mr. Dunleavy was a Senior Analyst at RenaissanceRe, responsible for multi-peril modeling, pricing and portfolio analysis. Mr. Dunleavy is also a Director of the Association of Bermuda International Companies, the Association of Bermuda Insurers and Reinsurers and an Independent Director of Coralisle Group Ltd. (f/k/a Colonial Group International).

Bruce Eisler
Chief Underwriting Officer, Aspen Insurance

Mr. Eisler was appointed Chief Underwriting Officer, Aspen Insurance in June 2020, and also serves as chief Executive Officer of Aspen U.S. Mr. Eisler has held various senior level roles with Reliance National, ACE USA and Liberty International Underwriters — part of Liberty Mutual Group — where he was the Senior Vice President of Professional Liability Underwriting before joining Aspen in January 2010.

Aileen Mathieson
Group Chief Investment Officer

Ms. Mathieson joined Aspen in November 2021 as Group Chief Investment Officer and is based in the London office. She brings more than 15 years of investment and financial experience, and previously served at Abridn plc where she was Global Head of Insurance. Prior to this, Ms. Mathieson was Chief Investment Officer UK Life for Zurich Insurance Group Ltd and during her career also held senior finance roles at Nucleus Financial Group plc, Standard Life Group plc, Diageo plc and EMI Music plc. Ms. Mathieson started her career at KPMG.

Andrew Rippert
Chief Underwriting Officer, Aspen Reinsurance

Mr. Rippert was appointed Chief Underwriting Officer for Aspen Reinsurance in January 2022, after joining Aspen as EVP – Head of Mortgage in June 2021. Before joining Aspen, Mr. Rippert was the Chief Executive Officer of the Global Mortgage Group at Arch Capital Group Ltd. (Arch) from 2010. Mr. Rippert's experience at Arch Capital saw him build and lead a mortgage credit business that was preeminent in the market. Mr. Rippert has over 30 years' experience in shaping and building global mortgage insurance and reinsurance businesses and portfolios. Mr. Rippert is a Fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries. He has a Master of Business Administration in finance from the Wharton School of the University of Pennsylvania and a Bachelor of Science in physics and mathematics from Drexel University.

Brian Tobben
Chief Executive Officer, Aspen Capital Partners

Mr. Tobben was appointed Chief Executive Officer of Aspen Capital Partners, a division of Aspen, in June 2020. Prior to this, he served as the Managing Director for Aspen Capital Markets since he joined Aspen in April 2013. Before joining Aspen, Mr. Tobben was at Partner Reinsurance for almost 10 years, most recently as Head of Insurance Linked Securities where he managed a portfolio of catastrophe ILS, life ILS, weather and commodity investments and before that, as Vice President, Weather. Prior to this, Mr.



Tobben was at Aquila Energy where he held a number of roles including Vice President, Business Development, Weather.

Aspen Bermuda

Directors

The qualifications of the directors of the Bermuda Board as of May 31, 2022 were as follows:

Greg Morrison

Non-Executive Director

Chairman and Member of the Aspen Bermuda Audit Committee

Mr. Morrison was appointed to Aspen Bermuda's Board of Directors in April 2009 and serves as Chair, as well as a member of the Audit Committee. He has more than 35 years of experience in the insurance and reinsurance industry, having held chief executive positions in a number of private and public insurance and reinsurance companies. Mr. Morrison currently serves on the boards of Aetna Life & Casualty (Bermuda) Ltd, Bridger Insurance Services, Multi-Strat Re Ltd, Property Insurance Company of America, Trisura Group Ltd., Stonybook Capital LLC and various subsidiaries of Brookfield Asset Management, Inc. Mr. Morrison was a Fellow of the Society of Actuaries (retired).

Albert Beer

Non-Executive Director

Chair of the Aspen Bermuda Audit Committee

Refer to Mr. Beer's biographical information above.

J. Bryan Astwood

Non-Executive Director

Member of the Aspen Bermuda Audit Committee

Mr. Astwood has been a director of Aspen Bermuda since March 2014 and also currently serves as a member of the Audit Committee.

Mr. Astwood has over 30 years' experience in the fixed income, equity, foreign exchange and commodity markets including 18 years' experience of managing insurance company investment portfolios across multiple regulatory jurisdictions. Most recently, Mr. Astwood served as Group Chief Investment Officer of the Company, since May 2009, having initially joined in 2003 as Group Treasurer, before retiring in June 2021. Mr. Astwood also previously served as the Aspen Group Representative to The Bermuda Monetary Authority from 2014-2020.

Prior to joining the Aspen Group, Mr. Astwood held senior roles at Bank of America in Hong Kong, IBJ (Industrial Bank of Japan) Securities in Tokyo, Butterfield Asset Management in Bermuda and Orbis Investment Management in Bermuda.

Mark Pickering

Executive Director

Chief Executive Officer

Mr. Pickering serves as a director of Aspen Bermuda, in addition to his management role as Chief Executive Officer of Aspen Bermuda, to which he was appointed on January 1, 2022. Mr. Pickering was previously the Chief Financial Officer of Aspen Bermuda. Mr. Pickering also serves as Group Chief Capital Management Officer of the Company, having been appointed to the role in September 2020, as well as Group Treasurer. He also is a member of Aspen Bermuda's Executive Committee and the Group Executive

Committee. Mr. Pickering also represents Aspen Bermuda and Aspen Group as principal representative to the Bermuda Monetary Authority.

Mr. Pickering initially joined the Aspen Group in September 2015 and has over 20 years' experience in the insurance and reinsurance industry. Prior to joining Aspen, Mr. Pickering held senior executive roles with Platinum Underwriters Holdings, Ltd.

Mr. Pickering is a Chartered Financial Analyst, Chartered Professional Accountant (Chartered Accountant) and also an Associate in Reinsurance.

Christian Dunleavy
Executive Director
Chief Underwriting Officer

Refer to Mr. Dunleavy's biographical information above.

Sybrand Van Niekerk
Executive Director
Chief Financial Officer

Mr. Van Niekerk serves as a director of Aspen Bermuda, in addition to his management role as Chief Financial Officer of Aspen Bermuda, to which he was appointed in September 2021, and Chief Financial Officer of the Aspen Reinsurance business segment. Mr. Van Niekerk is also a member of Aspen Bermuda's Executive Committee.

Mr. Van Niekerk joined the Aspen Group in March 2015. Prior to joining Aspen, he held roles at Newline Underwriting Management, Standard Bank and Liberty Mutual.

David Amaro
General Counsel & Corporate Secretary

Mr. Amaro was appointed as General Counsel & Secretary of Aspen Bermuda in July 2021 and subsequently assumed the additional role of Group Head of Legal in January 2022. He is also a member of Aspen Bermuda's Executive Committee and the Group Executive Committee.

Before joining Aspen, Mr. Amaro spent seven years with Hamilton Insurance Group and Hamilton Re, most recently, until June 2021, as Vice President and Associate General Counsel for Hamilton Re. Prior to that, he was an in-house solicitor with Ark Syndicate Management in London, having previously completed his training contract at Clyde & Co LLP's London office.

Mr. Amaro is a member in good standing of the Bermuda Bar Association and the Law Society of England & Wales.

Jenny Kane
Chief Risk Officer

Ms. Kane was appointed as Chief Risk Officer of Aspen Bermuda with effect from January 1, 2022, having joined Aspen as Group Head of Risk in January 2021. Before joining Aspen, Ms. Kane worked at the Prudential Regulation Authority (PRA) for almost 10 years, where she was responsible for the prudential supervision of specialty insurance and reinsurance companies operating in the Lloyd's and London Market. In this time, Ms. Kane completed a secondment at Novae (now Axis Managing Agency) and developed the framework for the authorisation and supervision of Insurance Special Purpose Vehicles in the UK, leading a team to authorise the first ILS vehicle regulated in the UK. Before that, Ms. Kane trained as an accountant and was an external auditor.

2.3 Risk Management and Solvency Self-Assessment

2.3.1 Risk Management Process and Procedures to Identify, Measure, Manage and Report on Risk Exposures

The group-wide risk management framework is articulated in the Group Risk Policy and applies to all Group entities including Aspen Holdings and Aspen Bermuda. The framework is the basis through which we protect our franchise value and seek to enable sustained profitable growth. It is comprised of activities performed throughout the business cycle to manage risk and capital.

The main elements of Aspen's Risk Management Framework include:

- The Risk Universe, which defines and categorizes the risks to which Aspen is currently exposed;
- The Risk Appetite Framework;
- Risk Governance;
- Roles and Responsibilities for Risk Taking and Risk Oversight; and
- The Risk Control Framework.

Aspen's Risk Management Framework is described in risk governance documentation ("**policies**"). Policies specify roles and responsibilities for risk management activities in each of the risk categories to which Aspen is exposed.

Group-level policies are implemented in a consistent manner, group-wide. These policies document our risk management practices and provide the formal structure used to support risk-based decision making and oversight of all operations across the Group.

Additional risk governance specific to legal entities, including Aspen Bermuda, may be prepared as an addendum to the Group policy, in cases where additional detail or guidance is warranted.

Aspen achieves controlled risk taking by operating within the internal control and risk management framework, which includes the following core components:

Risk Identification – Risk identification is an ongoing process to establish transparency into risks to which we are exposed. Risk identification allows for exposure monitoring, and provides the basis for risk measurement, determining capital requirements, and reporting. Our risk identification processes include emerging risks, with information considered from a variety of internal and external sources.

Risk Measurement – Aspen uses the internal capital model to measure Group solvency. Risk measurement enables the assessment of risk exposures and provides the basis to set quantitative controls for risk taking. The Internal Model is used extensively across the Group to aid business planning, to calculate and allocate risk-based capital, to calibrate pricing models, and other business applications. Where it is impractical to model the risk using stochastic methods or where there is significant parameter uncertainty, we may also use deterministic stress testing.

Risk Monitoring – Risk monitoring is the process through which Aspen ensures that risk remains within risk limits, risk appetite, and, as respects operational risk, within tolerance. Aspen uses a range of processes and systems to regularly monitor risks. These processes are overseen by subject-matter experts within the framework defined by the Risk Management Department.

Risk Management – Risk exposures are managed in all activities using a variety of approaches. Clearly established authorities and risk limits govern all risk-taking decisions within Aspen. External reinsurance, retrocession, and hedging strategies are used to mitigate and diversify our

risk exposure to a level consistent with our risk appetite. To assist in protecting the company against certain operational risks, Aspen purchases external insurance. Examples include property insurance for its buildings, Directors & Officers insurance for its Directors and key employees and Employers Liability insurance to protect against claims from employees, and also insurance for Cyber breaches. Additionally, operational risks are managed by segregation of duties, systems of internal control and, in certain cases, contingency plans as appropriate. Risk management is a key objective of the Three Lines of Defense operating model.

Risk Reporting – Dialogue between Risk Management, Legal Entity Management, and key business stakeholders is an important component in monitoring and managing risk. Risk transparency is ensured through regular internal risk reporting which incorporates both quantitative and qualitative risk information. On a quarterly basis, the Group CRO provides to the Board and Risk Committee a comprehensive risk report that covers all aspects of the risk landscape. The reports include an overview of the adequacy of capital and liquidity, quantitative views of risk, an overview of the operational risk assessment including key risk themes, operational events, and other risk developments as deemed appropriate. Risk reporting is also prepared and presented to various other governance bodies.

2.3.2 Implementation of Risk Management and Solvency Self-Assessment Systems

The Risk Appetite Statement is the central component of Aspen's approach to risk management and solvency self-assessment.

The Risk Appetite Statement specifies, at a high level, the principles that define how and where Aspen seeks to deploy its financial resources in support of its strategic objectives. Each Entity has a separate Risk Appetite Statement, consistent with that of the Group. The Risk Appetite provides the foundation for strategic planning and decision making during the implementation of our strategy and business plans. The Risk Appetite Statement is approved by the Entity Board of Directors, which then monitors adherence. The Board further articulates the Entity's risk appetite through its approval of the annual business plan, including the investment guidelines and strategic asset allocation.

Aspen's risk appetite statement is comprised of the following main components:

- Principle based financial objectives related to capital, liquidity and risk-adjusted returns;
- Target Capital;
- Risk preferences, which includes a high level description of the types of risks we prefer to assume and avoid within the context of Aspen's objectives;
- Key risk limits which translate the risk appetite into measurable criteria and provides the primary control for accumulated risk exposures; and
- Operational risk tolerance.

Financial Objectives

The risk appetite is based on the following main principle-based financial objectives:

Return Objective: We seek to maximize risk-adjusted returns. To meet this objective, we take risks for which we are adequately compensated and employ active portfolio management to maximize total returns. In assessing return performance, Aspen monitors performance against internal hurdle rates and a variety of key return metrics that are correlated to creating shareholder value.

Capital Objective: Our capital risk appetite is based on the objectives to maintain capital levels that are sufficient to satisfy legal entity regulatory requirements, rating agency ambitions, and meet market and client expectations.

Liquidity Objective: Our liquidity risk appetite is to meet obligations as they come due, even under stressed conditions. To achieve this objective, each legal entity maintains a significant amount of short-term, high quality, readily tradable assets.

Earnings Volatility Objective: Aspen focuses on long-term sustainable performance and aims to consistently maximize underwriting profitability while minimizing the inherent variability of our operating results, both in absolute terms and as a percentage of planned earnings. Additionally, Aspen seeks to avoid outsized losses as compared to peers. To meet this objective, Aspen defines a volatility tolerance, which is approved as part of the annual business plan, and actively seeks to position the portfolio of core risks within this constraint.

Target Capital: Aspen's target capital is an expression of our risk tolerance and defines the level of capital which the Group and entities aim to maintain under normal operating conditions, to ensure that the company is in a position to continue operations following a large loss or other severe stress.

Risk Preferences

Aspen distinguishes between “core” and “non-core” risks. Core risks comprise those risks which are inherent in the operation of our business, including insurance risks in respect of our underwriting operations and market risks in respect of our investment activity. We actively seek core risks with a view to generating shareholder value but seek to manage the resulting volatility in our earnings and financial condition within the limits defined by our risk appetite.

All other risks are classified as non-core. We seek, to the extent we regard as reasonably practicable and economically viable, to avoid or minimize our exposure to non-core risks.

For Core Risks, we actively seek insurance risk and also take financial market risk, which we assume in pursuance of our underwriting and investment strategies respectively.

These core risks are actively sought in cases where:

- there is a thorough understanding of how risks can be measured and managed;
- the potential risk accumulation arising from both additional exposures and the dependencies between risk categories are understood and can be controlled;
- Aspen is adequately remunerated for the risk it takes, and
- there is appropriate alignment of interests between Aspen and its clients.

Our underwriting strategy encompasses insurance risk across the diversified non-life insurance lines of business. We recognize that this exposes Aspen to losses arising, inter alia, from natural catastrophes, large man-made event losses, fluctuations in the levels of attritional losses, legal risks, acts of violence, and political, credit and economic risks.

Similarly, Aspen has an appetite for financial market risk across a diversified range of investment types and strategies. Aspen's asset portfolios are invested in accordance with regulatory requirements and the Board approved Investment Plan.

Credit risk assumed as part of our underwriting portfolio or within our asset portfolio is considered core risk.

Risk Limits

Clearly established authorities and risk limits govern all risk-taking decisions within the Aspen Group. Risk limits translate the risk appetite into measurable criteria and provide the primary control for

accumulated risk exposures. Additionally, risk limits establish the connection to business planning by placing constraints on risk taking decisions.

Limits are established for the most important drivers of risks at the Group level and express the maximum level of allowable exposure per risk driver. They complement the solvency and liquidity criteria defined in the risk appetite. As the motivation for these key risk limits is to protect our business model and avoid headline losses, the limit is expected to be stable over time and not change frequently. At the highest level, risk limits are approved by the Board.

The position against risk limits is subject to ongoing review and monitoring by the exposure management and investment teams and regular reporting to key management committees. The Group Chief Risk Officer monitors and reports the position against key risk limits on a quarterly basis (at a minimum) to the Board. Entity risk limits are also maintained, monitored, and reported to the respective Boards.

Operational Risk Tolerance

Operational risk is inherent within Aspen's business processes. As a non-core risk, Aspen seeks to avoid or minimize material operational risks that have the potential to lead to large losses. To meet this objective, the Group operates within a clearly defined operational risk management tolerance. Within tolerance, the Group accepts operational risks inherent in our activities. Identified operational risk exposures which exceed tolerance will be subject to a monitored mitigation plan with an agreed timeline to reduce the residual risk to an acceptable level.

2.3.3 Relationship Between Solvency Self-Assessment, Solvency Needs and Capital and Risk Management Systems

The Group Solvency Self-Assessment ("GSSA") and CISSA reports are the output of the own solvency self-assessment cycle, an integrated framework used to understand the relationship between strategy, risk and capital. The reports articulate the material risks to which the Group is subject and the processes to assess and manage such risks when determining overall solvency needs. Integral to the own solvency self-assessment process is a forward looking assessment of these risks.

The key elements of the own solvency self-assessment process include:

Strategy and Business Planning: The process to determine the strategy and annual business plans. The process is subject to considerable Board level review and challenge, informed by a projection of required capital against capital resources, and a risk assessment.

Capital Management: The ongoing process of calculating reserves and regulatory capital, and assessing the overall solvency position on both a current and forward-looking basis against risk appetites. Group Capital is set with reference to required capital calculated using the internal capital model. Aspen Bermuda capital is set with reference to BSCR regulatory capital.

Risk Management: The ongoing process by which risks affecting the business are identified, assessed, monitored and managed. It is made up of a series of activities and controls that ensure the plan is executed within Group risk appetite.

The GSSA and CISSA reports form part of the annual Bermuda Capital and Solvency Return submitted to the BMA. They provide the BMA with:

- A summary of the Aspen Group's strategy and business plan;
- The Group's view of the capital resources necessary to achieve its business strategies and remain solvent given its risk profile (referred to as "GSSA capital" and "CISSA capital"); and

- Insight into the risk management and governance procedures surrounding this process.

2.3.4 Approval Process

The Boards exercise ultimate oversight of the own solvency self-assessment process, including associated operational processes to embed the GSSA and CISSA into management and strategic decision making.

The GSSA report is approved by the AIHL Risk Committee and Audit Chairs, who review, challenge and approve the report as part of the overall Group Capital and Solvency Return submission on behalf of the Board. The CISSA Report and Aspen Bermuda Capital and Solvency Return is approved by the Bermuda Board.

2.4 Internal Controls

2.4.1 Internal Control System

An overview of the risk management and internal control framework is provided in Section 2.3 above. The Compliance function is described in Section 2.4.2 below and the Internal Audit function is described in Section 2.5 below. Other key controls systems in place for the Group are outlined as follows:

Sarbanes-Oxley

Aspen's ordinary shares ceased to be listed on the New York Stock Exchange on February 15, 2019, the effective date of the Merger. Aspen's preference shares and depositary shares continue to be listed on the New York Stock Exchange. Accordingly, certain requirements of the Sarbanes-Oxley Act of 2002 ("**S-Ox**") apply to Aspen with respect to financial reporting and the maintenance of effective internal controls and procedures. S-Ox is a U.S. federal law intended to give comfort to investors regarding the quality of financial information by requiring senior executives to take individual responsibility for its accuracy and completeness. S-Ox also requires an effective internal control structure and procedures.

Management's assessment of the overall effectiveness of our internal controls over financial reporting is based on the 2013 Committee of Sponsoring Organizations ("**COSO**") of the Treadway Commission framework. The process for ensuring we fulfil the comprehensive S-Ox requirements runs parallel with the Three Lines of Defense model and includes:

- the identification of control owners who are accountable for specific controls, their operation and documentation plus the implementation of any remedial action which may be identified;
- a quarterly reporting and attestation process (including oversight of remedial action) managed by the Risk Management Department;
- process assurance through an annual program of testing which is undertaken on behalf of the business by Internal Audit; and
- a S-Ox Committee which supports the Group CEO and CFO in their attestations as to the effectiveness of the internal controls over financial reporting, and provides assurance to the Audit Committee.

Employee Standards

Controls are exercised by the Human Resources function for employer and employee protection and to fulfil statutory and regulatory requirements. These include pre-contract screening of all new employees and regulatory 'fit and proper' procedures where required.

External Audit

As part of their audits, Aspen's external auditor KPMG LLP, is required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Under SEC rules applicable to the Company, Aspen is not required to have, nor have we engaged KPMG to perform, an audit of our internal control over financial reporting.

2.4.2 Compliance Function

Aspen

Aspen's compliance function is part of the second line of defense in our three lines of defense structure. The Group Compliance function is led by the Group Head of Compliance who reports to the Group CRO, who in turn reports to the Group CEO. The role of the Compliance function is to provide assurance to Group and Entity executive management and Boards that Aspen conducts business ethically, with integrity, and in compliance with applicable laws and regulations in the jurisdictions where we operate. To that end, Compliance advises the business on the applicability of regulations related to key compliance risks, and defines how these regulations translate into operational requirements through the development of compliance policies. The Compliance function oversees the compliance risk identification and assessment process, develops control standards for the effective remediation of compliance risk, establishes a compliance training framework, and monitors to assess the effectiveness of the overall compliance program.

Aspen ensures that responsibility for compliance oversight is clearly apportioned within local and Group management structures. The Compliance function has direct access to the Board and reports to the Audit Committee and the Bermuda Board, on all compliance matters.

Aspen Bermuda

Aspen Bermuda is subject to Group-wide compliance policies and compliance monitoring activities that are carried out throughout the year by the Group Compliance Monitoring Team.

The Compliance function has direct access to the Board and reports to the Audit Committee and the Bermuda Board, on all compliance matters.

The Compliance function reports on a quarterly basis to the ABL Audit Committee and Bermuda Board and as needed to Aspen Bermuda Executive Committee.

2.5 Internal Audit

2.5.1 Mission

The primary role of Internal Audit is to help the Board and Executive Management to protect the assets and reputation of the Aspen Group, and to help management improve the effectiveness of risk management, control and governance processes in a maintainable manner. Internal Audit achieves this in its capacity as the Third Line of Defense by:

- Providing an independent and objective assessment that all significant risks are identified and appropriately reported by management and the Risk function to the Board and Executive Management;
- Assessing whether significant risks are adequately controlled; and

- Challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

2.5.2 Reporting Lines

The Head of Internal Audit reports to the Group Audit Committee and Group Audit Committee Chair, and operates at all times with independence and objectivity. The Head of Internal Audit will also report matters to the Aspen Bermuda CEO and Chair of the Aspen Bermuda Audit Committee as appropriate. The Head of Internal Audit reports to the Group CRO, from an administrative perspective only. The Group CRO is responsible for co-ordinating and presenting proposals to the Group Audit Committee Chair for the Head of Internal Audit's objectives, performance and compensation and to the Group Audit Committee for appointing and removing the Head of Internal Audit.

The Audit Committee Chair(s) of the Group and entity Audit Committees may provide input to performance appraisals, and (in accordance with the BMA's Group Supervision Rules) remuneration decisions will be made by the Compensation Oversight Group in consultation with the Chair of the Group Audit Committee and the Group CEO / Chair.

The Group Audit Committee will review and concur in the appointment, replacement or dismissal of the Head of Internal Audit, having taken input from the Aspen Bermuda Audit Committee members and the Group CEO/Chair.

2.5.3 Authority

Internal Audit derives its authority from the Boards of Aspen through the Aspen Audit Committees. Internal Audit is authorized to:

- Have unrestricted access to all functions, property, records and staff;
- Have full and free access to the Aspen Audit Committees. The Head of Internal Audit is authorized to call a meeting with the Chair of the Aspen Audit Committees at any time. At least once each year, the Head of Internal Audit will have a private session with each Audit Committee;
- Obtain necessary assistance of personnel in business units or departments where they perform audits, as well as other specialized services from within or outside the organization; and
- Allocate resources and apply such techniques as may be required to fulfil the requirements of the annual plan and any additional audit activities that may be agreed, subject to any changes agreed with Management and, where necessary, with the appropriate Aspen Audit Committee(s).

Any attempts to limit the scope of work, information restrictions, or any other impediment limiting the ability of Internal Audit to perform its role will be reported to the Chair of the Audit Committee and the Chairmen of the Audit Committees of Aspen's Operating Subsidiaries, as appropriate.

The Head of Internal Audit and the staff of the Internal Audit department are not authorised to:

- Perform any operational duties for the Aspen Group;
- Initiate or approve accounting transactions external to the internal audit department; and
- Direct the activities of any organisation employee not employed by the Internal Audit department except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

2.5.4 Audit Coverage

Internal Audit coverage is broad, encompassing all of Aspen's business activities. This includes all Companies within the Group and is also influenced by external factors such as industry, and local country and state regulations. It is the responsibility of Internal Audit to identify all auditable areas within the

audit universe. The audit universe is dynamic in nature, and requires annual monitoring to ensure that new and evolving auditable areas are appropriately included.

Auditable areas will be analyzed on a case by case basis using a risk based methodology to determine appropriate audit coverage and efficient and effective use of resources. Based on this analysis, a rolling three year audit plan will be developed and updated annually.

Auditable areas that have been identified as having a higher degree of significance and/or risk will generally be audited more frequently than those areas with lower significance or risk. Audit plans will be communicated to senior management and the Aspen Audit Committee(s) at least annually.

2.5.5 Objective of Work

The objective of Internal Audit's work is to determine whether Aspen's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning appropriately.

2.5.6 Communication of Results

Internal Audit provides individual audit reports to management and periodic reports to the Audit Committees.

2.5.7 Independence

To preserve both the perception and reality of its independence and objectivity, Internal Audit will not perform any activities that could impact, or could be seen to impact its independence from management. These include but are not limited to:

- Be responsible for the implementation of corrective measures;
- Second staff, or provide consultancy services to business functions, if this is in any way likely to conflict with Internal Audit's independence;
- Allow Internal Auditors who are seconded, or undertake consultancy assignments, to be involved in subsequent audits of the areas involved for twelve months following their return to audit or the completion of the consultancy assignment;
- Delegate their judgment on audit matters to others, unless otherwise agreed with the relevant Audit Committee; and
- Have any direct authority over, or responsibility for, any system, procedure, or activity, which they may be responsible for auditing or reviewing.

Annually, the Head of Internal Audit will confirm to the Group Audit Committee and the Audit Committees of Aspen's Operating Subsidiaries, the continuing independence of the Internal Audit activity.

2.6 Actuarial Function

2.6.1 Scope of Actuarial Function

The various activities constituting the Actuarial Function are embedded within the Actuarial Department. This consists of three areas under the direction of the Group Chief Actuary:

- Actuarial and Underwriting Analytics;
- Reserving; and
- Actuarial Data and Performance Information.

The Actuarial and Underwriting Analytics team provide analytical support to the underwriting teams. They are responsible for pricing guidance, consistency and peer review, and pricing model development and management. Stewardship is provided by the Group Chief Actuary and the Group Chief Pricing Actuary.

The Reserving team is responsible for developing the company's Actuarial Central estimate (“ACE”) of its loss reserves, as well as Technical Provisions where applicable, on a quarterly basis. The team also provide support to the financial reporting function for both internal and external reporting.

As at December 31, 2021, the Reserve Committee signs off on the group-level reserve margin, which reflects, amongst other matters, key areas of reserving uncertainty within the group actuarial central estimate. The reserve margin is factored into the management best estimate, which provides the basis for management's recommendation to the Audit Committee and the Board regarding the reserve amounts to be recorded in the financial statements.

As at December 31, 2021, the Reserve Committee was chaired by the Group Chief Actuary and its membership includes members of senior management from various functions of the business.

Each significant class of business is reviewed in detail by management through its Reserve Committee at least once a year. The timing of such reviews varies throughout the year. Additionally, we review the emergence of actual losses relative to expectations every fiscal quarter for all classes of business. If warranted from this analysis, we may accelerate the timing of our detailed actuarial reviews.

Finally within the Actuarial Department, the Actuarial Data and Performance Information team have primary responsibility for all data and information compiled and used by the Actuarial Department.

2.6.2 Key Responsibilities of the Actuarial Function

The key responsibilities of the Actuarial Function are as follows:

- Performing the reserving calculations, facilitating the reserve setting process and coordinating the calculation of Technical Provisions, including on a Solvency II and an Economic Balance Sheet basis;
- Ensuring the appropriateness of underlying methodologies, models and data;
- Back testing reserving best estimates and held reserves against experience;
- Assessing the reliability and adequacy of the Technical Provisions calculation and associated uncertainties;
- Expressing an opinion on the overall underwriting policy;
- Expressing an opinion on the adequacy of outwards reinsurance arrangements;
- Contributing to the effective implementation of the risk-management system;
- Maintaining actuarial pricing and reserving standards across Aspen's portfolios.

2.6.3 Identification of the Users of the Actuarial Function's Work

The key internal users of the Actuarial Function's reserving work include:

- Group and Operating Subsidiary Finance (including Aspen Bermuda);
- Reserve Committee;
- The Audit Committee, Risk Committee and Board; and
- The Operating Subsidiary Audit Committees, Risk Committees and Boards.

The key external users of the Actuarial Function's reserving work include:

- External auditors;

- The BMA and other regulators; and
- Rating agencies.

2.6.4 Independence of the Actuarial Function

The Board and Bermuda Board ensure that the Actuarial Function is appropriately segregated, has unrestricted access to relevant information and is not constrained, controlled, or unduly influenced by management in the setting of reserves. This is evidenced by formal internal review meetings with the relevant underwriters, claims and finance staff on a quarterly basis. Representatives of both the Insurance and the Reinsurance Reserving teams attend the Reserve Committee meetings.

The level of reserves selected by management for each reserving class is finalized by the Reserve Committee, following the meetings with members of the Underwriting, Claims, and Finance teams as well as the Reserve Committee meetings, as part of a formal sign-off process. The Management Best Estimate and selected reserves, together with a report highlighting the main findings, are then presented to the Audit Committee for review and approval. The Audit Committee monitors and reviews the Management Best Estimate, the selected reserves and the associated systems and controls. There are no outstanding action points or recommendations for the Actuarial Function that have not been implemented.

Furthermore, reserves are reviewed on an annual basis by independent external actuaries, and by the external auditors who present their findings to the Audit Committee. To conclude, the Actuarial Function is considered sufficiently independent.

2.7 Outsourcing

2.7.1 Outsourcing Policy and Outsourced Functions

Aspen has adopted an Outsourcing Policy which is intended to establish a prudent risk management framework for the management of outsourcing arrangements within the Group's risk profile and to ensure compliance with the relevant regulatory requirements. The Outsourcing Policy covers the entire outsourcing lifecycle, from identifying the need for outsourcing through to relationship management and oversight, and provides processes to effectively manage risk associated with outsourcing relationships.

Consistent with regulatory requirements, the Outsourcing Policy covers any form of agreement between Aspen and a service provider by which that service provider performs an insurance or reinsurance activity or undertakes a key function on behalf of Aspen. All outsourcing arrangements are classified as either critical or important or non-critical, and the requirements of such outsourced arrangements differ based on this classification.

Notwithstanding such outsourcing arrangements, no key or control functions have been completely outsourced.

2.7.2 Material Intra-Group Outsourcing

All of Aspen are party to the Intra-Group Services Agreement which details support services provided by Aspen, Aspen U.K., Aspen Bermuda and Aspen U.S. Services Inc. to the other Group companies. Pursuant to the Intra-Group Services Agreement, a fee is payable by the recipient of the services to the appropriate provider for any of the following services: treasury and investment; marketing; communication and website services; legal and wordings; risk management; outward reinsurance; internal audit; underwriting quality review; finance; human resources; actuarial; catastrophe modelling; compliance services; facilities and underwriting; and operations and claims services.

2.8 Other Material Information

During 2021, we identified material weaknesses in internal control over financial reporting, as described in detail in our Form 20-F, including foreign-exchange re-evaluation process and translation controls within Aspen U.K.; the completeness and accuracy of the information used in recognizing both current and deferred income tax on Aspen U.K.'s branches; a control gap in the misapplication of committed par value measurement prices when valuing privately-held investments; and insufficient resources with appropriate level of knowledge within the outwards reinsurance operations and accounting team to effectively design and execute related controls. Management identified these internal control deficiencies, certain of which resulted in revisions to the Company's historical financial statements to correct immaterial errors.

In order to remediate the identified material weaknesses in our internal control over financial reporting described above the Company has initiated (but not yet fully implemented) remedial measures. These new or enhanced controls will need to be in operation for a sufficient period of time before management can conclude, through testing, that these new controls are operating effectively. We expect that the testing of the new controls will be completed over the course of 2022. Our Board and Audit Committee are committed to, and will continue to monitor the progress and effectiveness of our management's control-remediation activities.

For further details, please refer to Item 15 of the Company's Annual Report on Form 20-F.

3 Risk Profile

Aspen is exposed to a broad landscape of risks, referred to as the Risk Universe, which are recorded in the Group Risk Universe and Taxonomy. The risk taxonomy provides comprehensive coverage of Aspen's risk universe and has sufficient granularity to distinguish risk types with unique attributes.

The risk universe includes risks that are actively taken as part of our insurance or investment operations as well as other risks that are not explicitly sought, but are actively monitored and controlled due to their significance.

The main types of risks are summarized below.

3.1 Insurance Risk

3.1.1 Description

The risk that underwriting results vary from their expected amounts. This risk is further broken down into underwriting risk and reserving risk sub-categories.

3.1.2 Measurement and Mitigation

Underwriting Risk

Aspen's approach to monitoring and mitigating Underwriting Risk is included within the Aspen Group Underwriting Risk Policy. Aspen models its exposure to underwriting risk using the Internal Model to measure the associated capital requirements on both the regulatory basis and an internal basis. The internal basis uses a U.S. GAAP balance sheet and measures the capital required to write one year's business to ultimate using a TVaR99 (Tail Value at Risk, the mean of the worst 1% of simulations) metric.

Mitigation of underwriting risk is achieved through a combination of application controls applied by the underwriting teams in the 1st Line of Defense and oversight and monitoring as provided within the 2nd and 3rd Lines of Defense.

Within the 1st line, underwriting controls are outlined through the Aspen Underwriting Policies ("AUPs"), which define the guidelines for underwriting, the risk evaluation and acceptance process, along with the limits that apply. Additionally, letters of authority define the limits of underwriter authority for each individual underwriter. Aspen maintains an Underwriting Review Protocol which aims to drive continuous improvement in our underwriting quality including adherence to authority, risk selection, the proper terms and conditions, and service. The Underwriting Review Protocol includes a peer review process, which may include members from the Actuarial teams and independent reviewers from the 2nd Line of Defense, as well as quarterly portfolio performance reviews.

Underwriting risk is further mitigated through risk transfer. Aspen purchases reinsurance and retrocession to mitigate and diversify risk exposure to a level consistent with the risk appetite and to increase insurance and reinsurance underwriting capacity. These coverages seek to optimize Aspen's net retained profit, whilst ensuring that Aspen controls the net losses and volatility to which these classes are exposed.

Reserving Risk

Aspen's approach to monitoring, reporting and mitigating Reserving Risk is articulated in the Aspen Group Reserving Risk Policy. The process is designed to monitor, mitigate and manage reserve adequacy operates at three levels:

- Case Level: Reserves attached to individual reported claims yet to be fully settled
- Class Level: Actuarial projections of claims yet to be reported and development on existing claims to their ultimate level
- Adequacy: The overall adequacy of reserves held at each legal entity.

Actuarial opinions are provided at the Group and legal entity level, including projecting distributions of ultimate losses by class using a range of alternative approaches. On a quarterly basis, the Group Reserve Committee critically examines the results of the internal and any external actuarial reviews (if applicable that quarter) and the Actuarial Central Estimate, and provides input which is considered in developing the management best estimate (MBE). Quarterly reserving analysis is presented to and discussed with the AIHL Audit Committee. Additionally, deep dive actuarial reviews are carried out periodically on either a targeted selection of classes or the full range of classes depending on the Entity requirements, with results reported to the AIHL Audit Committee. The adequacy of actual reserves held, and the process used in reserve setting are reviewed in detail as part of the annual audit by external auditors.

For the purposes of controlling Reserving Risk across classes, we recognize the presence of diversification benefits resulting from the aggregation of a number of portfolios whose uncertainty surrounding ultimate outcomes is not perfectly correlated.

Group Risk Management, the second line of defense, provides independent assurance over reserving.

3.1.3 Material Risk Concentrations

The material risk concentrations managed via Risk Limits include natural catastrophe risks (such as hurricanes, earthquakes and flood damage), clash losses (large losses from single events through exposure via multiple contracts such as cyber losses) and exposure to future man made catastrophic events (such as acts of war, acts of terrorism and losses resulting from political instability).

3.2 Market Risk

3.2.1 Description

The risk of variation in the income generated by, and the fair value of, our investment portfolio, cash and cash equivalents and derivative contracts including the effect of changes in foreign currency exchange rates.

3.2.2 Measurement and Mitigation

Aspen's approach to monitoring and mitigating Market Risk is included within the Aspen Group Investment Risk Policy. Aspen models exposure to market risk using the Internal Model to measure the associated capital requirements on both an internal basis and the regulatory basis.

Aspen manages its investment portfolio to ensure it is of high credit quality to support its collateral obligations to clients and to ensure that liquidity is available to meet liabilities as they fall due. Aspen limits its exposure to material risk concentrations, including foreign currency risk, interest rate risk and equity risk, through the use of Key Risk Limits.

The Investment Risk Policy and Guidelines (the “**Investment Guidelines**”) describes the investment strategy in the context of the annual business plan, asset allocation, and concentration limits at Group and Operating Subsidiary platform levels. The Investment Guidelines also describe the measurement of market risks, and specifically describes what is permissible with regards to the use of derivatives in order to manage currency positions, portfolio duration and hedge interest rate risk in the investment portfolio.

3.2.3 Material Risk Concentrations

Our investment portfolio consists primarily of fixed income securities. Fluctuations in interest rates have a direct impact on the market valuation of these securities. Accordingly, our primary market risk exposure is to changes in interest rates.

3.3 Credit Risk

3.3.1 Description

The risk of diminution in the value of insurance receivables as a result of counter-party default. This principally comprises default and concentration risks relating to amounts receivable from intermediaries, policyholders and reinsurers. We include credit risks related to our investment portfolio under market risk; and credit risks related to insurance contracts under insurance risk.

3.3.2 Measurement and Mitigation

Aspen models exposure to credit risks using the Internal Model to measure the associated capital requirements on both an internal basis and the regulatory basis.

We seek to manage credit risk by careful selection of counter parties and avoiding excessive concentration risks. To manage external Reinsurance Counterparty Credit Risk, Aspen follows a credit risk limit framework which translates its risk tolerance objective into measurable criteria and defines the maximum credit exposure to a single reinsurer or group of reinsurers. These risk limits are approved by the AIHL Board and legal entity Boards annually.

The management of reinsurer counter-party credit risk is overseen by a sub-committee of the Group Risk Management Committee consisting of the Group CRO and Group CFO, with referral to Entity CROs to coordinate Entity approvals.

With respect to inwards business this approach is mainly directed at concentrations of broker risk although this is limited by the dominance of a few major brokers for the business Aspen writes.

Aspen also sets country credit limits to provide an additional control against the potential accumulation related to the concentration of credit exposures within any individual country and ensure diversification of exposure. The approach to setting Country Credit limits is articulated in the Country Credit Risk Management framework.

3.3.3 Material Risk Concentrations

Aspen's credit risk exposure primarily results from recoveries due from reinsurers. In general, we seek to place our reinsurance with highly rated companies with which we have a strong trading relationship or have fully collateralised arrangements in place.

3.4 Liquidity Risk

3.4.1 Description

The risks of failing to maintain sufficient liquid financial resources to meet liabilities as they fall due or to provide collateral as required for commercial or regulatory purposes.

3.4.2 Measurement and Mitigation

Aspen does not model and manage liquidity risk using its Internal Model because it is not a risk that is mitigated by holding capital against it.

To mitigate liquidity risk, Aspen entities target to maintain unrestricted asset holdings sufficient to meet potential funding requirements arising from a range of possible stress events across a 1 year time horizon.

Aspen entities target to maintain a stressed liquidity coverage ratio of 100% or higher. The liquidity coverage ratio is calculated on a monthly basis, based on a 12-month rolling forward-looking view of stressed liquidity requirements and assumes:

- Uncertainty in Aspen's ability to monetize certain investments with varying degrees of liquidity;
- intra-Group funding not being available if subject to regulatory approval;
- new unsecured funding is not available; and
- funding from new re/insurance business may be reduced.

In this way, the liquidity coverage ratio serves as an Early Warning Threshold. Where stress scenarios project a liquidity coverage ratio below 100% (meaning that stressed liquidity requirements exceed stressed liquidity sources), Aspen will determine whether actions are needed to free up additional liquid assets sufficient to meet stressed liquidity needs.

The Aspen stressed liquidity requirement consists of non-discretionary payments due over a 12-month period, including coupon payments on senior notes, dividends on preference shares, and direct mandatory operating costs.

3.4.3 Material Risk Concentrations

Liquidity risk arises predominantly from the collateral and cash flow demands created by large insurance losses. Liquidity requirements could also increase in a scenario following a rating agency downgrade in which clients elect to exercise certain special termination clauses in (re)insurance contracts.

3.5 Operational Risk

3.5.1 Description

The risk of loss resulting from inadequate or failed internal processes, personnel or systems, or from external events. This includes the risk of material misstatement in financial reporting, non-compliance with regulatory requirements, information security & cyber operational risk, and legal risk.

3.5.2 Measurement and Mitigation

Aspen's Operational risk framework focuses on achieving internal control related objectives in operations, reporting, and regulatory compliance.

Aspen seeks to identify and cost-effectively mitigate operational risks in accordance with its risk tolerance. Policies and procedures establish controls activities designed to mitigate operational risk exposures to an acceptable level. Policies establish expectations and requirements for control and specify roles and responsibilities for risk management activities. Procedures define the approach used to implement and execute the policy. Control activities are performed at various points within the business process; and may be preventative or detective in nature; and may include both manual and automated activities.

The Risk and Control Self-Assessment ("RCSA") process provides for the regular review of the control environment to ensure that key operational risks are continuously assessed and monitored, and appropriate actions are taken to manage exposures, identified issues and potential adverse developments.

RCSAs are undertaken by risk and control owners and cover all key risks and controls within a business / functional area. The process includes:

- The identification of key risks associated with the functional area, including changes in the risk profile or new, emerging risks;
- A review of the controls in place to manage the risk, and an assessment of their effectiveness;
- Consideration of any known control issues, gaps, or control failures; and
- Development of risk mitigation plans for operational risk exposures which exceed tolerance levels, with an agreed timeline to reduce the residual risk to within the limit.

If internal control deficiencies (“issues”) are identified, an assessment is undertaken to ensure there is understanding of the potential impact(s) and the underlying causes. An Issue Owner is assigned, who, in collaboration with Risk Management, defines an action plan to remediate the Issue, reducing its potential impact, and minimizing the potential for recurrence. Action plans are proportionate to the level of exposure, with an appropriate timeline for completion. The Issue Owner is responsible to ensure that all remedial actions are completed within the agreed timeline.

3.5.3 Material Risk Concentrations

Key areas of operational risk, as captured in the Operational Risk Matrix, include risks associated with significant strategic transformation initiatives, cyber risk and information security, financial reporting risk and data quality and use.

3.6 Other Material Risks - Emerging Risk

Emerging Risk is the risk that events or issues not previously identified, fully understood, or developed have the potential to adversely impact the operations, financial results, and ability of the Aspen Group to achieve its strategic objectives, and are not currently managed as part of the Group Risk Framework.

Effective emerging risk management supports protection of the balance sheet, decision making and strategic planning, increased operational resilience, innovation and identification of new business opportunities.

The key components of the emerging risk framework are summarized under the following headings:

- **Identification:** The process through which new and changes to existing emerging risks are identified.
- **Assessment:** The process through which emerging risks are assessed to determine significance and probability of impact to Aspen.
- **Monitoring and Control:** The processes of monitoring developments in emerging risks, producing response plans where needed and monitoring response plans. This includes an assessment of the completeness of the emerging risk register, and process of incorporating an emerging risk into the risk register.
- **Reporting:** The processes that support the effective governance and oversight of new and existing emerging risks, the status of activities relating to emerging risks and insight into emerging risk themes and trends.

An Emerging Risk Register is maintained at a Group level, with each risk assessed for ‘severity’ (potential impact) and ‘probability’ (likelihood of occurrence) to determine their placement on an emerging risk matrix. Higher rated risks are assigned ownership to support the monitoring of developments, and development of appropriate risk response plans.

Material Risk Concentrations include:

Climate Change Risks: Climate change, and society’s response to it, give rise to risks to Aspen. In addition to direct financial, physical and transition risks, Aspen is exposed to indirect impacts of climate change.

Most notable is the reputational risk aspect of engaging in business that may be associated with contributing to climate change or environmental damage.

Disease Emergence: Emergence of a new ("Disease X") or previously known disease as a more virulent form, or increasing range, representing a threat to human, environmental or economic health. Actions and next steps relate to maintaining readiness and lessons learned following Covid-19.

Litigation Trends: Litigation funding and collective redress ('class actions'), especially prevalent in the US, are becoming increasingly common in other countries, bringing the risk of increased frequency, scale, or severity of litigation, driving potential increase in future claim volumes / losses, reserve increases and pricing implications.

Health Exposures: Potential implications to human health arising from exposure to various environmental contaminants, (e.g. via commercial use, industrial production, consumer products). Specific areas of note currently include PFAS (Perfluoroalkyl & Polyfluoroalkyls), plastic / microplastics, nanoparticles, insecticides and herbicides, 5G exposure and blue light.

Cyber: Development and changes within Cyber Risk exposures as a result of evolution of cyber 'attacks', affecting both Aspen's potential cyber underwriting liabilities and operational resilience.

3.7 Other Material Risks – Strategic Risk

The risk of adverse impact on shareholder value or income and capital due to adverse business decisions, poor execution or failure to respond to market changes. Strategic Risk includes Group Risk and Reputational Risk.

Aspen employs a forward-looking mindset, and regularly monitors the internal (e.g. business performance) and external (e.g. customer needs, regulatory changes, competitive developments, emerging technologies) environment to identify trends with potential strategic implications. Aspen may from time to time manage strategic risk by exiting particular business areas or may similarly seek to gain a competitive position through acquisitions, strategic investments, and business expansions.

To protect the Aspen brand and reputation, Aspen maintains a Conduct Risk framework, beginning with the Group Code of Business Conduct & Ethics. Additionally, Aspen maintains a Long-Term Incentive Plan for its senior executives to align compensation and decision making with the achievement of the Group's strategic objective of long-term value creation.

To mitigate Group Risk, Aspen maintains a Governance framework, which defines minimum formal governance standards related to Group and Entity governance arrangements. Additionally, all legal entities are party to an Intra-Group Services agreement, which defines the rights and duties of all parties, applicable service levels for each service provided, and requires effective business continuity plans to be in place for the service provider. Further, for intra-group financial transactions, respective entities have established governance arrangements that allow for the assessment of counterparty credit risk to internal obligors, and possible contagion risk, and ensures that both counterparties understand and approve the impact of the proposed transaction on their respective financial positions.

3.8 Prudent Person Principle

Aspen's Investment Risk Policy refers specifically to the prudent person principle and describes how we ensure that we properly identify, measure, monitor, manage and control, as well as appropriately take into account in the assessment of our overall solvency needs, the risks originating from our investments. The Investment Risk Policy works in conjunction with the Investment Policy, the latter providing a framework for a strategy consistent with the overall business strategy and risk tolerances.

3.9 Stress Testing and Sensitivity Analysis

3.9.1 Stress Testing

Stress and Scenario Testing (“**SST**”) is an integral part of the Risk Management Framework, and critical to the own solvency self-assessment process. Each year a Group wide SST exercise is conducted to assess the impact of stressed scenarios on the financial condition of the Group and each Entity. For the SST process, our focus is on assessing the impact of ‘severe but plausible’ events.

Scenarios are determined annually, in consultation with Group and Entity management. Scenarios are selected with reference to the risk profile of the Group and individual Entities, and approved by the respective Boards.

Most Stress and Scenario Tests are run for all Group entities. This allows Aspen to understand the impact of scenarios for the Group as a whole, and also to assess whether the event creates capital distress for the individual risk-bearing entities.

Scenarios include:

- natural catastrophe events;
- terrorism events;
- man-made disasters (including cyber events);
 - macro-economic stress event;
 - high inflation;
- future pandemic; and
- adverse reserve deterioration.

Based on the latest SST results, none of the scenarios caused capital to fall below regulatory requirements.

3.10 Other Material Information

There is no other material information to report.

4 Solvency Valuation

This Section sets out information on the valuation of the Economic Balance Sheet (“EBS”) for solvency purposes in accordance with Schedule XIV of the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011 and the Insurance (Prudential Standards) (Class 4 and 3B Solvency Requirement) Rules 2008.

4.1 Valuation Bases and Assumptions – Assets

Under EBS, assets are fair-valued in line with the U.S. GAAP principles adopted by Aspen and Aspen Bermuda, except where the U.S. GAAP principles do not require an economic valuation. In those cases asset valuations are adjusted to the amount for which they could be exchanged between knowledgeable willing parties in an arm’s length transaction.

Balance Sheet Category	Valuation
Investments	<p>Investments comprise fixed income securities, short-term investments, catastrophe bonds, privately-held investments, investments (equity method) and other investments. They are reported at estimated fair value in accordance with U.S. GAAP.</p> <p>Fixed income securities are classified as available for sale or trading. Investment transactions are recorded on the trade date with balances pending settlement reflected in the consolidated balance sheet under receivables for securities sold and payables for securities purchased, respectively. Fair values are based on quoted market prices and other data provided by third-party pricing services.</p> <p>Short-term investments primarily comprise highly liquid debt securities with a maturity greater than three months but less than one year from the date of purchase. They are classified as either trading or available for sale and carried at estimated fair value. Fair values are determined in a manner similar to the fixed income securities above.</p> <p>Catastrophe bonds are classified as trading and are fair valued based on independent broker-dealer quotes.</p> <p>Privately-held investments are classified as trading and are initially valued at cost or transaction value which approximates fair value. In subsequent measurement periods, the fair values of these securities are primarily determined using internally developed discounted cash flow models.</p> <p>An adjustment is made to the U.S. GAAP investment portfolio valuation for Aspen and Aspen Bermuda for the reallocation of accrued interest from Other Receivables.</p> <p>Investments (equity method) are recorded using the equity method of accounting which approximates fair value. Adjustments to the fair value of these investments are made based on the net asset value of the investment.</p> <p>Other investments represent investments in real estate funds recorded using net asset value which approximates fair value. Adjustments to the fair value are made based on the net asset value of the investment.</p>

Cash and Cash Equivalents (“ Cash & CE ”)	Cash & CE comprise of cash on hand, deposits held on call with banks and other short-term highly liquid investments due to mature within three months from the date of purchase, which are subject to insignificant risk of change in fair value. The U.S. GAAP valuation is considered to approximate fair value, and therefore no adjustments are made to derive the EBS valuation for Aspen or Aspen Bermuda in respect of Cash & CE, apart from a reallocation of accrued interest from Other Receivables.
Reinsurance Recoverables on Unpaid Losses	Under EBS valuation, reinsurance recoverables are transferred to the Technical Provisions (refer to Section 4.2).
Ceded Unearned Premium	Under EBS valuation, Ceded Unearned Premium is removed from assets in the balance sheet and replaced by the Premium Provision (refer to Section 4.2).
Underwriting, Premiums, Receivable, Other Recievables, Funds Withheld, Receivables for Securities Sold, Income Taxes Refundable and Other Assets	<p>Aspen values receivables at undiscounted historical cost less any adjustment for expected default. Given the short term maturity of these assets, the U.S. GAAP valuation policy is considered to be a close approximation to fair value, and therefore sufficient for EBS purposes. The impact of discounting these balances is not material.</p> <p>Prudential filters are applied to eliminate assets which do not have a readily realizable market value, such as prepaid and deferred expenses. Accrued interest, as noted previously, is reclassified from Other Receivables to the relevant asset category within Investments or Cash and Cash Equivalents.</p> <p>Under EBS valuation, a significant amount of Underwriting Premiums receivable (i.e., those that are not-yet-due as at the balance sheet date) are transferred to the Technical Provisions and form part of the valuation of Technical Provisions in Section 4.2 below.</p>
Due from/to Related Party	For Aspen Bermuda the Due from Related Party balance is adjusted to fair value one of the intercompany reinsurance contracts in accordance with the EBS framework.
Deferred Policy Acquisition Costs	Prudential filters are applied to eliminate DAC under EBS valuation.
Derivative Instruments	Under U.S. GAAP our derivative instruments are valued based on observable market inputs and classified as Level 2 within the fair value hierarchy. No adjustment is required for EBS reporting.
Office Properties and Equipment (“ OP&E ”) and Right-of-use (“ ROU ”) Operating Lease Assets and Liabilities	<p>Under U.S. GAAP OP&E is valued at depreciated historical cost. Under EBS, prudential filters are applied to eliminate balances related to internally developed software without an active external market.</p> <p>ROU lease assets are recorded at cost and amortized over their lease period. ROU lease liabilities are initially valued as the present value of all future cash flows and a financing charge is applied over the lease period. No adjustment is required for EBS reporting.</p>

Deferred Taxation	Aspen's U.S. GAAP deferred tax position is adjusted to recognize the approximate impact of an increase or decrease in shareholders' funds arising from the transition from U.S. GAAP to EBS. The adjustment is calculated at the Operating Subsidiary balance sheet level and recognized only where the deferred tax asset is deemed recoverable.
Intangible Assets	Under EBS, intangible assets are valued at their readily realizable fair market value. Prudential filters are applied to eliminate intangibles such as goodwill, which are not considered admissible for solvency purposes. Our Insurance licenses are recorded at fair value based on exchange transactions of similar assets.

4.2 Valuation Bases and Assumptions – Technical Provisions

4.2.1 General Valuation Principles

In accordance with the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011 for Aspen and the Insurance (Prudential Standards) (Class 4 and Class 3B Solvency Requirement) Rules 2008 for Aspen Bermuda, the value of Technical Provisions consists of the best estimate of all future cash flows required to settle the insurance and reinsurance obligations of Aspen and Aspen Bermuda, adjusted to reflect the time value of money using a risk-free discount rate term structure with an appropriate illiquidity adjustment. In addition, there is a risk margin to reflect the uncertainty inherent in the underlying cash flows which is calculated using the cost of capital approach and a risk-free discount term structure. The discount rate term structures are prescribed by the BMA for each Reporting Period.

Adjustments required to move from the U.S. GAAP Reserves to EBS Technical Provisions are as follows:

Adjustment	Explanation
Remove Unearned Premium Reserve ("UPR") and Ceded Unearned Premium	<p>UPR and Ceded Unearned Premiums are eliminated from the balance sheet and replaced with a provision accounted for on a best estimate basis taking account of all the cash flows (i.e. losses and premium debtors) relating to unearned business.</p> <p>When considering which cash flows to include in the calculation of reinsurance premium and recoveries in the best estimate underlying Technical Provisions, Aspen's key principle is to ensure these are consistent with the inwards policies included in the same valuation subject to certain specific rules on recognizing legally obliged reinsurance contracts.</p>
Remove GAAP Reserve Margin	<p>U.S. GAAP reserves include a margin for prudence or conservatism. For EBS reporting any amounts in excess of the mean best estimate are excluded from the Technical Provision calculations.</p> <p>Where possible, Aspen adopts multiple techniques to estimate the required level of claims provisions. These reserving techniques are explained in greater detail in Aspen's Form 20-F for the year ended December 31, 2021 as filed with the U.S. Securities and Exchange Commission.</p>

<p>Future Premium Cash Flows on UPR and BBNI Business</p>	<p>The EBS framework requires that the best estimate calculation should take account of projections for all potential cash inflows and outflows required to settle insurance / reinsurance obligations including premiums paid in instalments and due in the future (not-yet-due premiums). Insurance contracts are recognized when Aspen becomes legally obliged to provide cover, whether the contracts have incepted or not. This differs from premium recognition under U.S. GAAP where contracts are recognized on inception and results in the inclusion of bound but not incepted business (“BBNI”).</p> <p>The same principle is applied for outwards reinsurance – with reinsurance creditors payable with a due date post the balance sheet date recognized in the reinsurance claims provision to the extent they relate to an earned exposure and the premium provision where they relate to unearned exposure. In addition, future reinsurance premium is estimated on unearned business and BBNI.</p>
<p>Future Loss Provision on UPR and BBNI</p>	<p>Future losses are accounted for on a best estimate basis. Planned gross loss ratios are applied to gross unearned and BBNI policies to calculate gross expected losses.</p> <p>Reinsurance recoveries are calculated on a similar basis.</p>
<p>Events Not in Data (“ENID”)</p>	<p>EBS best estimates should make an allowance for all possible events, including very extreme high severity, low probability claims.</p> <p>ENID events are not explicitly modelled as part of the reserving process. Aspen performs a separate analysis once a year to derive an ENID event load. A truncated distribution methodology is used to estimate ENIDs.</p>
<p>Expense Provision</p>	<p>The EBS expense provision includes more costs than the unallocated loss adjustment expenses provision under U.S. GAAP, as it specifically includes overheads, administrative and investment management expenses.</p> <p>EBS guidance requires that the best estimate includes all cash flows arising from expenses that will be incurred servicing existing policies during their lifetime. Allocated loss adjustment expenses directly assignable to individual claims are included in the claims and premium provision.</p> <p>EBS guidance details the following examples of expenses that will be incurred servicing all obligations from existing insurance and reinsurance contracts:</p> <ul style="list-style-type: none"> • Administrative expenses; • Investment management expenses; • Claims management expenses / handling expenses; • Acquisition costs; and • Overhead costs associated with the above. <p>Aspen’s approach has been to allocate planned expenses for the following year removing expenses directly related to the acquisition of premiums (as these are considered as part of premium cash flows). Expenses are then allocated to lines of business using the mean best estimate reserves and ENID. The year on year indirect expense cash flows are then decreased in line with the run off of claims reserves using actuarial claims payment patterns. This is done on an on-going business basis so that new business is expected to support an increasing share of the overheads into the future based on the percentage reduction in claims reserves implied by the claims payment patterns. An allowance for expense inflation is included.</p>

Counterparty Default	<p>EBS requires inclusion of a provision for non-receipt of reinsurance recoveries whether caused by default or dispute.</p> <p>For intra-group reinsurance recoveries, the probability of counterparty default is set to the rate used in the Internal Model for equivalent rated counterparties. The default probability in future years is adjusted for the probability of survival from the previous years. A recovery rate (in the event of default) of 50% is used.</p> <p>The calculation is applied to the recoveries cash flows on the internal quota share contracts. For discounting purposes, the cash flows are deemed to be in proportion to the recovery cash flows and in the same currencies.</p> <p>The same process is used for the counterparty default adjustment on external reinsurance recoveries, except that the default rate assumed is a blend of the rates used in the Internal Model for each rating, in proportion to the ratings of the current counterparties of the Group.</p>
Discounting	<p>The best estimate cash flows are the probability weighted average cash flows, taking into account the time value of money using the relevant risk-free interest rate term structure.</p> <p>Aspen begins with the yield curves published by the BMA for the reporting date, for each of the six major currencies, which include adjustments to the risk-free discount rate curve to partially reflect the illiquidity premium implicit in typical underlying assets, as well as making allowance for the prevention of pro-cyclical investment behaviour.</p> <p>Aspen uses a blended yield curve approach to discounting, taking the split into the six major currencies for each accident year for inwards and outwards business separately and for each reserving class separately, and multiplies the percentage list of currencies by the six yield curves to create a blended yield curve at that level of detail.</p> <p>Each type of provision (inwards or outwards, premiums or claims or expenses), is multiplied by its payment pattern for the accident year for the reserving class, and by the blended yield curve applying to give a discounted provision.</p>
Risk Margin	<p>The Risk Margin is a component of the EBS Technical Provisions that does not exist under U.S. GAAP and is intended to capture the difference between the best estimate of the Technical Provisions and their theoretical market value. The theoretical market value is estimated using the cost of capital approach, based on the principle of a notional portfolio transfer to a third party insurer with no insurance obligations of its own.</p> <p>A 6% cost of capital is prescribed by the BMA.</p>

As at December 31, 2021 the total Technical Provisions amounted to \$4,403.3 million (2020 - \$4,221.0 million) for Aspen and \$2,116.5 million (2020 - \$2,090.3 million) for Aspen Bermuda as illustrated in the table below:

	Aspen EBS \$m		Aspen Bermuda EBS \$m	
	2021	2020	2021	2020
Best Estimate Loss and Loss Expense Provision	3,910.8	3,625.0	1,909.5	1,915.8
Best Estimate Premium Provision	250.5	297.1	95.7	40.8
Risk Margin	242.0	298.9	111.3	133.7
Total	\$ 4,403.3	\$ 4,221.0	\$ 2,116.5	\$ 2,090.3

4.2.2 Level of Uncertainty Associated with Technical Provisions

The Actuarial Function ensures management receives appropriate and complete information on the extent and nature of uncertainties associated with the calculation of mean best estimates and policyholder reserves. In general terms, there is limitation on the accuracy of the estimates of Technical Provisions, on both a U.S. GAAP and EBS basis, as there is inherent uncertainty in any evaluation of loss reserves. This is because the ultimate liability for claims is subject to the outcome of processes yet to occur, such as the attitude of claimants to the settlement of their claims, changes in the standards of liability, and the size of court awards.

Some of the main areas of uncertainty include:

- Ultimate premium income is subject to uncertainty arising from, for example, changes in premium receipt patterns and adjustments relating to future claims experience.
- For unearned exposures there is a risk that the loss ratio applied to the underlying exposure may prove to be inappropriate. In certain classes of business, such as specialty and niche segments, Aspen has a limited number of years of its own experience on which to base its analysis. This leads to greater uncertainty in the selection of both the initial expected loss ratios and the development patterns. To mitigate this, Aspen makes use of publicly available information in addition to more specific advice obtained from external actuarial consultants.
- Other factors such as risk free discount rates may change over time which would change the value of our reserves even if all other assumptions remained the same.
- By their very nature, ENID events are difficult to determine by type, frequency and severity. Whilst this has been allowed for within the assumptions, the risk remains that this may prove to be inadequate.
- Similarly, expense provisions are calculated on a going concern basis and make a number of assumptions which may also prove to be inappropriate. However, this is considered a minor risk in relation to premium and claim provisions.

4.3 Reinsurance Recoverables

Recoverables from reinsurance contracts are based on principles similar to the gross best estimate. In addition to reinsurance recoveries, the cash flow projection includes estimated reinsurance premiums payable, reinstatement premiums 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.

As at December 31, 2021, the value of recoverables from reinsurance contracts and special purpose vehicles (“SPIs”) within the EBS Technical Provisions is \$3,029.4 million (2020: \$2,942.5 million) in

relation to Aspen and \$839.9 million (2020: \$685.5 million) in relation to Aspen Bermuda. Other than fully collateralized reinsurance (which includes recoveries from SPIs), the substantial majority of Aspen and Aspen Bermuda's reinsurers have a rating of "A" (Excellent) or better by A.M Best. The minimum rating of any of our material reinsurers is "A-" (Excellent) by A.M Best. The Company has made no provision for doubtful debts from any of its reinsurers as at December 31, 2021.

4.4 Valuation Bases and Assumptions – Other Liabilities

Under the EBS, other liabilities are fair-valued in line with the U.S. GAAP principles adopted by Aspen and Aspen Bermuda, except where the U.S. GAAP principles do not require an economic valuation. In those cases liabilities have been valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

Balance Sheet Category	Valuation
Reinsurance Premiums, Income Taxes Payable, Accrued Expenses, and Other Payables for Securities Purchased	Aspen values payables at undiscounted historical cost. Given the short term maturity of these liabilities, the U.S. GAAP valuation policy is considered to be a close approximation to fair value, and therefore sufficient for EBS purposes.
Long-term debt	The Senior Notes issued by Aspen, which are held at amortized cost for U.S. GAAP purposes, have been approved by the BMA as Tier 3 ancillary capital. (Refer to section 5.1.2.)

4.5 Other Material Information

There is no other material information to report.

5 Capital Management

5.1 Eligible Capital

5.1.1 Capital Management Policy

We continue to focus on capital management and maintain our capital at an appropriate level as determined by our internal Risk Appetite and the financial strength required by our customers, regulators and rating agencies. We monitor and review the Aspen Group and Operating Subsidiaries' capital and liquidity positions on an ongoing basis and seek to allocate our capital in the most efficient way, which may include investing in new business opportunities, rebalancing our investment portfolio within acceptable risk parameters and returning capital to shareholders, subject to market conditions.

5.1.2 Eligible Capital Description and Categorization

The BMA has implemented a three tiered capital system for Class 4 insurers and Insurance Groups designed to assess the quality of capital resources that an insurer has available to meet its capital requirements as outlined in the Insurance (Eligible Capital) Rules 2012 and the Group Rules. The tiered capital system classifies all capital instruments into one of three tiers based on their "loss absorbency" characteristics with the highest quality capital classified as Tier 1 Capital and lesser quality capital classified as either Tier 2 Capital or Tier 3 Capital. Only capital or percentages of capital in certain Tiers may be used to support an insurer's Minimum Solvency Margin ("**MSM**"), Enhanced Capital Requirement ("**ECR**") or Target Capital Level ("**TCL**").

As at December 31, 2021 and December 31, 2020 the categorization of the Statutory Economic Capital and Surplus for Aspen and Aspen Bermuda was as follows:

	Aspen EBS \$m		Aspen Bermuda EBS \$m	
	2021	2020	2021	2020
Tier 1 Capital	2,375.4	2,522.9	870.7	1,093.4
Tier 2 Capital	465.9	439.6	95.3	54.1
Tier 3 Capital	285.0	285.0	175.0	—
Total Eligible Capital	\$ 3,126.3	\$ 3,247.5	\$ 1,141.0	\$ 1,147.5

As at December 31, 2021, Eligible Capital for Aspen was primarily categorized as Tier 1, the highest quality capital, consisting of capital stock, contributed surplus, statutory surplus and perpetual preferred shares. Tier 2 capital related to perpetual preferred shares and the excess of encumbered assets over the related policyholder obligations, see Section 5.1.5 for further details. Tier 3 capital related to senior notes ancillary capital, see Section 5.1.6 for further details.

As at December 31, 2020, Eligible Capital for Aspen was primarily categorized as Tier 1, the highest quality capital, consisting of capital stock, contributed surplus, statutory surplus and perpetual preferred shares. Tier 2 capital related to perpetual preferred shares and the excess of encumbered assets over the related policyholder obligations. Tier 3 capital related to senior notes ancillary capital.

The 5.95% Fixed-to-Floating Rate Perpetual Non-Cumulative Preference Shares (the "**5.95% Preference Shares**") and the 5.625% Perpetual Non-Cumulative Preference Shares (the "**5.625% Preference Shares**") were approved as Tier 1 basic capital by the BMA prior to issuance.

The 5.625% Perpetual Non-Cumulative Preference Shares issued in August 2019 (the "**2019 Preference Shares**"), were approved as Tier 2 basic capital by the BMA prior to issuance.

The 4.65% Senior Notes issued by Aspen, due 15 November 2023 (the “**2023 Senior Notes**”), were approved by the BMA in June 2019 as Tier 3 ancillary capital.

As at December 31, 2021 and December 31, 2020, Eligible Capital for Aspen Bermuda was primarily categorized as Tier 1, consisting of capital stock, contributed surplus and statutory surplus. Tier 2 capital related to the excess of encumbered assets over the related policyholder obligations, see Section 5.1.5 for further details. Tier 3 capital related to approved letters of credit classified as ancillary capital, see Section 5.1.6 for further details.

As at December 31, 2020, Eligible Capital for Aspen Bermuda was primarily categorized as Tier 1, consisting of capital stock, contributed surplus and statutory surplus. Tier 2 capital related to the excess of encumbered assets over the related policyholder obligations.

5.1.3 Eligible Capital Used to Meet the Enhanced Capital Requirement and the Minimum Solvency Margin

Eligible Capital and Surplus at December 31, 2021 and December 31, 2020 for Aspen and Aspen Bermuda was categorized as follows:

	MSM \$m		ECR \$m	
	2021	2020	2021	2020
Aspen				
Tier 1	2,375.4	2,522.9	2,375.4	2,522.9
Tier 2	465.9	439.6	465.9	439.6
Tier 3	—	—	285.0	285.0
Total	\$ 2,841.3	\$ 2,962.5	\$ 3,126.3	\$ 3,247.5
Aspen Bermuda				
Tier 1	870.7	1,093.4	870.7	1,093.4
Tier 2	95.3	54.1	95.3	54.1
Tier 3	—	—	170.5	—
Total	\$ 966.0	\$ 1,147.5	\$ 1,136.5	\$ 1,147.5

5.1.4 Transitional Arrangements

All capital complies fully with the requirements of the respective tiers and therefore utilization of the transitional arrangements is not required. The transitional period for Aspen and Aspen Bermuda ended on December 31, 2021.

5.1.5 Encumbrances

Collateral requirements are common in the insurance industry and are designed to protect a specific group of policyholders against their insurer’s credit risk. Aspen and Aspen Bermuda are obliged by the terms of their contractual obligations to U.S. policyholders and by obligations to certain regulatory authorities to facilitate issues of letters of credit or maintain certain balances in trust funds for the benefit of policyholders. These collateralized assets are not available to all policyholders until the obligations of the underlying policyholders have been satisfied. Therefore, under the Group Rules, the statutory surplus must be adjusted to recognize the limited accessibility of these assets. A transfer is made from Tier 1 to Tier 2 capital for both Aspen and Aspen Bermuda, derived from the excess of encumbered assets for policyholder obligations over actual policyholder obligations.

5.1.6 Ancillary Capital Instruments

Aspen recognizes \$285m of the 2023 Senior Notes as Tier 3 ancillary capital. Approval was received from the BMA in June 2019.

Aspen Bermuda recognizes a \$100m unsecured letter of credit as Tier 3 ancillary capital. Approval was received from the BMA in October 2021.

Aspen Bermuda recognizes a \$75m unsecured letter of credit as Tier 3 ancillary capital. Approval was received from the BMA in December 2021.

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

Other than the impact of employing statutory-based technical provision valuation techniques, significant differences between U.S. GAAP shareholder equity and available economic statutory capital and surplus include the reduction in available statutory capital for goodwill and other intangible assets, fair value adjustments in relation to certain tangible fixed assets, and the increase in other fixed capital approved by the BMA as Tier 3 eligible ancillary capital.

5.2 Regulatory Capital Requirements

5.2.1 Enhanced Capital Requirement and Minimum Solvency Margin

The ECR and MSM for Aspen and Aspen Bermuda for the year ended December 31, 2021, calculated by the Bermuda Solvency Capital Requirement (“BSCR”) Model, were as follows:

For the Year Ended December 31, 2021	Aspen \$m	Aspen Bermuda \$m
Minimum Margin of Solvency	1,136.7	497.7
Enhanced Capital Requirement	1,547.4	681.7
BSCR ECR Ratio	202%	167%

The ECR and MSM for Aspen and Aspen Bermuda for the year ended December 31, 2020, calculated by the Bermuda Solvency Capital Requirement (“BSCR”) Model, were as follows:

For the Year Ended December 31, 2020	Aspen \$m	Aspen Bermuda \$m
Minimum Margin of Solvency	980.1	350.9
Enhanced Capital Requirement	1,334.2	633.7
BSCR ECR Ratio	243%	181%

5.2.2 Non-compliance with Enhanced Capital Requirement and Minimum Solvency Margin

No instances of non-compliance with the ECR or MSM occurred during the Reporting Period.

5.2.3 Details of Non-compliance

There are no details of non-compliance to report.

5.2.4 Quantification of Non-compliance

There are no details of non-compliance to report.

5.3 Internal Capital Model

Aspen has not applied to have its Internal Model approved by the BMA to determine regulatory capital requirements. As a result, this Section is not applicable.

6 Subsequent Events

Australian Coverholder and Service Company

Effective January 1, 2022, Aspen Australia Service Company is acting as a coverholder to place business on AMAL, in respect of reinsurance business written via Australia.

Loss Portfolio Transfer Agreement

On January 10, 2022, the Company and certain of its subsidiaries, including Aspen Bermuda, entered into an Amended and Restated Reinsurance Agreement (the “Agreement”) with a subsidiary of Enstar Group Limited (“Enstar”), which amends and restates the Adverse Development Cover Agreement, dated as of March 2, 2020 (the “Original Agreement”), previously entered into between the parties.

Under the Original Agreement, Enstar reinsured losses incurred on or prior December 31, 2019, by providing \$770.0 million cover in excess of \$3.805 billion retention up to an aggregate limit of \$4.575 billion, and an additional \$250.0 million of cover in excess of \$4.815 billion.

Under the terms of the Agreement, Enstar’s subsidiary will reinsure net losses incurred on or prior to December 31, 2019 on Aspen’s diverse mix of property, liability and specialty lines across the U.S., U.K. and other jurisdictions having net loss reserves of \$3.12 billion as of September 30, 2021. The Agreement provides for a limit of \$3.57 billion in consideration for a premium of \$3.16 billion. The amount of net loss reserves ceded, as well as the premium and limit amounts provided under the Agreement, will be adjusted for claims paid between October 1, 2021 and the closing date of the transaction. The premium includes \$770.0 million of premium previously paid with respect to reserves ceded under the Original Agreement, which will continue to be held in trust accounts to secure the Enstar subsidiary’s obligations under the Agreement. The incremental new premium will initially be held in funds withheld accounts maintained by Aspen but will be released to the trust accounts maintained by the Enstar subsidiary no later than September 30, 2025. The funds withheld by Aspen will be credited with interest at an annual rate of 1.75% plus, for periods after October 1, 2022, an additional amount equal to 50% of the amount by which the total return on Aspen’s investments and cash and cash equivalents exceeds 1.75%.

Under the Agreement, the Enstar subsidiary will assume claims control upon closing and entrance into an administrative services agreement.

The Agreement includes customary representations and warranties, indemnification obligations, covenants and termination rights of the parties.

The Agreement closed on May 20, 2022, following receipt of regulatory approvals and satisfaction of various other closing conditions.



Declaration

We, the Chief Executive Officer and Chief Risk Officer of Aspen Insurance Holdings Limited do hereby certify that to the best of our knowledge and belief, this Financial Condition Report fairly represents the financial condition of Aspen Insurance Holdings Limited and Aspen Bermuda Limited in all material respects.

Signed: /s/ Mark Cloutier

Date: May 31, 2022

Mark Cloutier
Chief Executive Officer
Aspen Insurance Holdings Limited

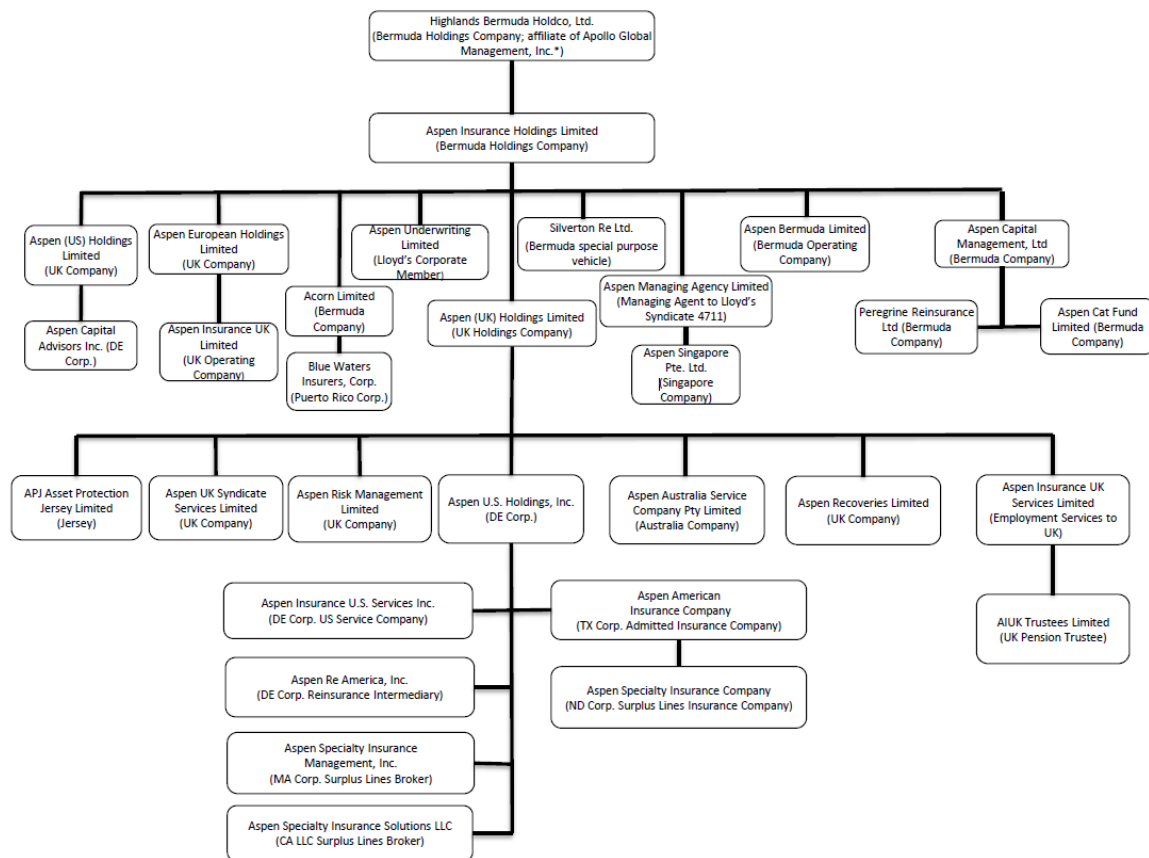
Signed: /s/ Crystal Ottaviano

Date: May 31, 2022

Crystal Ottaviano
Chief Risk Officer
Aspen Insurance Holdings Limited

Appendix 1

As at May 31, 2022:



*All of the ordinary shares of Highlands Bermuda Holdco, Ltd. are, directly or indirectly, owned by certain investment funds managed by subsidiaries of Apollo Global Management, Inc., a Delaware corporation ("AGM"). Class A shares and certain preferred shares of AGM are publicly traded on the New York Stock Exchange ("APO").