ASPEN

FINANCIAL CONDITION REPORT

ASPEN GROUP

ASPEN BERMUDA LIMITED

DECEMBER 31, 2019

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Financial Condition Report

1 Business and Performance

1.1 Insurer Details

1.1.1 General

Aspen

Aspen Insurance Holdings Limited ("**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 based in Bermuda, the United States and the United Kingdom: Aspen Bermuda Limited ("**Aspen Bermuda**") in Bermuda, Aspen Insurance UK Limited ("**Aspen U.K.**") and Aspen Underwriting Limited ("**AUL**") (as corporate member of Lloyd's Syndicate 4711 which is managed by Aspen Managing Agency Limited ("**AMAL**")) in the United Kingdom, and Aspen Specialty Insurance Company ("**Aspen Specialty**") and Aspen American Insurance Company ("**AAIC**") in the United States (each referred to herein as an "**Operating Subsidiary**" and collectively referred to as the "**Operating Subsidiaries**"). We also have branches in Australia, Canada, Singapore, and Switzerland. References in this Financial Condition Report (this "**Report**") to "we," "us," or "our" refer to Aspen or Aspen and its subsidiaries as further outlined in the organization chart in Section 1.5 below.

We manage our insurance and reinsurance businesses as two distinct business segments, Aspen Reinsurance ("**Aspen Re**") and Aspen Insurance, 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 written by Aspen Bermuda, Aspen U.K. and via the Lloyd's platform. Our Lloyd's Syndicate 4711 ("**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. AAIC also underwrites crop reinsurance business in the United States. Our reinsurance underwriting teams are located in Bermuda, Singapore, Switzerland, the United Kingdom, the United States, and Australia.

The Company also participates in the alternative reinsurance market through Aspen Capital Markets ("**ACM**"). ACM focuses on developing alternative reinsurance structures to leverage the Company's existing underwriting franchise, increase its operational flexibility in the capital markets and provide investors direct access to its underwriting expertise. ACM leverages 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 insurance linked securities ("**ILS**") funds and other offerings. ACM is included in the Reinsurance Segment because it focuses primarily on property catastrophe business, however, it also provides structures for other types of reinsurance transactions through the use of third-party capital.

Our insurance segment offers a variety of products consisting of (i) property and casualty insurance, (ii) marine and energy insurance, and (iii) financial and professional lines insurance. 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 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.

Aspen Bermuda

Aspen Bermuda was incorporated under the laws of Bermuda and is a wholly owned subsidiary of Aspen. Aspen Bermuda is licensed 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 October 2019, Aspen Bermuda established a branch in Zurich, Switzerland to write prospective business effective January 1, 2020.

Aspen Bermuda writes various shares of excess of loss reinsurance contracts and pro rata treaties. The excess of loss contracts are mainly property catastrophe policies reinsuring non-affiliated insurers located mainly in the United States, Europe and Asia Pacific. The pro rata treaties cover mainly property risks reinsuring non-affiliated insurers located in the United States, Europe and Asia Pacific. Aspen Bermuda also writes various direct insurance lines including, but not limited to, excess casualty insurance, management and professional liability insurance, and credit and political risk insurance.

Aspen Bermuda assumes certain risks of Aspen U.K., Aspen Specialty, AAIC, AUL, and Syndicate 4711. Aspen Bermuda also cedes business under a quota share arrangement with Aspen U.K. and multiple quota share arrangements with Peregrine Re Limited, mainly in relation to its property reinsurance business. Peregrine Reinsurance Limited operates through 5 fully collateralized segregated cells.

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 Aspen and its subsidiaries (collectively, the "**Aspen Group**"). As the Designated Insurer, Aspen Bermuda facilitates and maintains compliance by the Aspen Group with the Group Rules (as defined below).

Key elements of the framework for group supervision are the Insurance (Group Supervision) Rules 2011, as amended, and the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011, as amended (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: Salim Tharani
Tel: +44 (0)207 311 4157
Email: salim.tharani@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

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 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.

1.5 Group Structure chart

Our corporate structure as at June 29, 2020 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 below sets forth the gross written premium ("**GWP**") by business segment for the twelve months ended December 31, 2019 (the "**Reporting Period**") and December 31, 2018:

	Aspen U.S. GAAP GWP $'m		Aspen Bermuda U.S. GAAP GWP $'m	
	2019	**2018**	**2019**	**2018**
Property catastrophe reinsurance	249.6	262.8	212.3*	198.2*
Other property reinsurance	356.9	346.0	149.4*	184.3*
Casualty reinsurance	294.7	328.1	186.8*	280.3*
Specialty reinsurance	584.3	558.8	268.7*	310.1*
Property and casualty insurance	861.2	903.9	14.0	13.3
Marine, aviation and energy insurance	301.7	368.4	-	-
Financial and professional lines insurance	794.0	678.9	40.5	33.4
Total	**3,442.4**	**3,446.9**	**871.7**	**1,019.6**

***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.

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, 2019 and December 31, 2018:

	Aspen U.S. GAAP GWP $'m		Aspen Bermuda U.S. GAAP GWP $'m	
	2019	**2018**	**2019**	**2018**
Australia/Asia	139.5	141.3	80.8	79.8
Caribbean	5.2	3.7	7.6	5.4
Europe (excluding U.K.)	69.2	75.0	52.8	41.7
United Kingdom	15.1	9.2	113.7	108.8
United States & Canada[1]	770.3	741.2	295.0	459.4
Worldwide excluding United States[2]	21.0	33.9	17.3	21.7
Worldwide including United States[3]	371.8	387.8	198.2	208.8
Others	93.4	103.6	51.7	47.2
Total	**1,485.5**	**1,495.7**	**817.1**	**972.8**

[1] "United States and Canada" consists of individual policies that insure risks specifically in the United States and/or Canada, but not elsewhere. In the reinsurance segment for Aspen it also includes gross written premium of $312.5 million related to CGB Diversified Services, Inc. ("**CGB DS**") and $Nil related to AG Logic Holdings, LLC and its affiliates ("**AgriLogic**") (2018 - $259.7 million (CGB DS) and $33.1 million (AgriLogic) which we purchased in January 2016 and sold in December 2017) as part of our strategic partnership with CGB DS.

[2] "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.

[3] "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.

1.6.3 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, 2019 and December 31, 2018:

	Aspen U.S. GAAP GWP $'m		Aspen Bermuda U.S. GAAP GWP $'m	
	2019	**2018**	**2019**	**2018**
Australia/Asia	76.4	34.6	0.5	0.6
Caribbean	4.1	4.0	-	-
Europe (excluding U.K.)	13.6	17.6	0.2	-
United Kingdom	280.6	280.9	0.1	-
United States & Canada[1]	1,233.6	1,134.7	6.6	2.5
Worldwide excluding United States[2]	42.0	36.2	0.4	0.2
Worldwide including United States[3]	243.1	388.0	43.4	40.5
Others	63.5	55.2	3.4	3.0
Total	**1,956.9**	**1,951.2**	**54.6**	**46.8**

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. In our fixed income portfolio, we employ an active investment strategy that focuses on the outlook for interest rates, the yield curve and credit spreads. In addition, we manage the duration of our fixed income portfolio having regard to the average liability duration of our reinsurance and insurance risks.

Our overall portfolio strategy remains primarily focused on high quality fixed income investments including collateralized loan obligations ("**CLO's**"), with some diversification into unrated private fixed and floating rate investments.

In 2019, Aspen began to deploy its target Strategic Asset Allocation ("**SAA**") which involved re-allocating part of the investment portfolio to investment grade Structured Products ("**SP**"), Middle Market Loans ("**MML**"), Commercial Mortgage Loans ("**CML**") and Short Term Secured ("**STS**"). At the end of 2019, 7.3% of our total investment assets were invested in CLO's, 2.3% in private, secured CML and 1.6% in private, secured MML. The SAA 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.

In January 2019, Aspen entered into Interest Rate Swaps with a total notional amount of $3,318.0 million due to mature between January 18, 2021 and January 18, 2034. These were placed to protect the capital position of the balance sheet from rising interest rates ahead of deploying the SAA. The size of the swap positions were reduced as the SAA was deployed. The total notional amount as at December 31, 2019 was $1,800.0 million.

Aspen

As at December 31, 2019 and December 31, 2018, the fair values of Aspen's investment portfolio split by asset class were as follows:

	U.S. GAAP Market Value $'m	
Asset Class	**2019**	**2018**
U.S. Government	1,598.2	1,551.9
U.S. Agency	39.6	47.4
Municipal	53.9	49.9
Corporate	2,203.0	2,926.4
Non-U.S. government-backed corporate	86.5	93.2
Non-U.S. government	480.0	668.0
Asset-backed	492.5	19.7
Non-agency commercial mortgage-backed	6.5	0.0
Agency mortgage-backed	1,126.8	1,062.0
Short-term investments	196.8	115.1
Catastrophe bonds	28.6	36.2
Privately-held investments	279.7	0.0
Other investments, equity method	67.9	67.1
Other investments[4]	111.4	102.5
Total Investments	**6,771.4**	**6,739.4**

The book yield of the Aspen fixed income portfolio for the Reporting Period was 2.74% (2018: 2.69%).

Aspen Bermuda

As at December 31, 2019 and December 31, 2018, the fair values of Aspen Bermuda's investment portfolio split by asset class were as follows:

	U.S. GAAP Market Value $'m	
Asset Class	**2019**	**2018**
U.S. Government	537.4	704.1
U.S. Agency	5.7	10.5
Municipal	25.4	30.8
Corporate	965.3	1,775.3
Non-U.S. government-backed corporate	6.2	6.2
Non-U.S. government	153.2	274.0
Asset-backed	492.5	14.1
Non-agency commercial mortgage-backed	1.5	0.0
Agency mortgage-backed	563.5	618.8
Short-term investments	59.4	9.3
Privately-held investments	275.3	0.0
Other investments	111.4	102.5
Total Investments	**3,196.8**	**3,545.6**

The book yield of the Aspen Bermuda fixed income portfolio for the Reporting Period was 3.32% (2018: 2.97%).

[4] Total other investments represents our investments in a real estate fund.

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 $2,293.3 million (2018: $2,214.7 million) of net earned premiums from underwriting activities and $283.5 million (2018: $133.5 million) of net return from its investment portfolio. Aspen's main sources of expenses are losses and loss adjustment expenses totaling $1,679.7 million (2018: $1,573.0 million), amortization of policy acquisition costs of $412.7 million (2018: $371.6 million) and general, administrative and corporate expense totaling $521.6 million (2018: $491.7 million) during the Reporting Period.

Loss and loss adjustment expenses increased by $106.7 million in 2019 compared to 2018 primarily due to a $170.6 million unfavorable movement in the level of prior year reserve releases, from releases of $111.1 million in 2018 to strengthening of $59.5 million in 2019, primarily from international marine and energy liability products, which we placed in runoff in February 2020. Furthermore, there was an increase in large losses of $24.6 million, including $30.4 million of credit reinsurance losses, $16.4 million fire-related losses and $47.0 million of other large losses. These movements were partially offset by a $125.8 million decrease in catastrophe losses, from $274.7 million in 2018 to $148.9 million in 2019.

In 2019, the reinsurance segment experienced $130.8 million of catastrophe losses, net of reinsurance recoveries, associated with Typhoons Hagibis and Faxai, Hurricane Dorian, storms in Australia, Indian monsoons and other weather-related events. In 2018, we experienced $222.2 million of catastrophe losses, net of reinsurance recoveries, associated with Hurricanes Florence and Michael in the U.S., Typhoon Jebi in Japan, Winter Storm Friederike in Europe, wildfires in California, U.K. winter storms and other U.S. and Asian weather-related events.

In 2019, the insurance segment experienced $18.1 million of catastrophe losses associated with Hurricanes Dorian and other weather-related events. In 2018, our insurance segment experienced $52.5 million of catastrophe losses associated with Hurricanes Florence and Michael, wildfires in California, U.K. winter storms and other U.S. and Asian weather-related events.

Overall, prior year reserves were strengthened by $59.5 million in 2019, a net adverse movement of $170.6 million compared with a $111.1 million release in 2018. Reserve releases in the reinsurance segment in 2019 were $54.9 million compared to $68.4 million in 2018 and came from property catastrophe reinsurance, other property reinsurance and specialty reinsurance lines, partially offset by unfavorable development on casualty reinsurance. The reinsurance segment experienced favorable reserve development on prior year catastrophe losses including wildfires and other weather-related events, partially offset by reserve strengthening from Typhoon Jebi in Japan. Reserve strengthening in the insurance segment in 2019 was $114.4 million compared to releases of $42.7 million in 2018 and came primarily from international marine and energy liability products, which we placed in runoff in February 2020, and unfavorable development on U.S. primary casualty lines.

Other income and expenses, including debt interest, debt extinguishment costs, net foreign exchange gains and losses, changes in the fair value of derivatives and changes in fair value of loan notes increased net expenses by a further $181.6 million (2018: $67.9 million) during the Reporting Period. The increase in 2019 is primarily due to a loss of $130.2 million related to interest rate swaps included in changes in the fair 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 $723.0 million (2018: $905.6 million) of net revenue from underwriting activities and $183.8 million (2018: $54.0 million) of net return from its investment portfolio. The main sources of Aspen Bermuda's expenses are losses and loss adjustment expenses totaling $515.1 million (2018: $635.4 million), amortization of policy acquisition costs of $201.6 million (2018: $270.2 million), change in fair value of derivatives

of $137.0 million (2018: gain of $6.4 million) and operating expenses of $39.3 million (2018: $39.1 million) during the Reporting Period.

Loss and loss adjustment expenses decreased by $120.3 million in 2019 compared to 2018, primarily due to a decrease in catastrophe losses. Catastrophe losses for 2019 were driven by losses associated with Hurricane Dorian in the U.S., Typhoons Faxai and Hagibis in Japan, and other weather related events. Losses from 2018 catastrophes were more severe than 2019 and included Hurricanes Florence and Michael in the U.S., Typhoon Jebi in Japan, Winter Storm Friederike in Europe, wildfires in California, U.K. winter storms and other U.S. and Asian weather-related events. Overall, prior year reserves decreased by $14.4 million during the Reporting Period, compared with a decrease of $75.0 million in 2018.

Other income and expenses, including other underwriting income and changes in foreign exchange gains and losses decreased net income by a further $10.1 million (2018: increase of $7.2 million) during the Reporting Period.

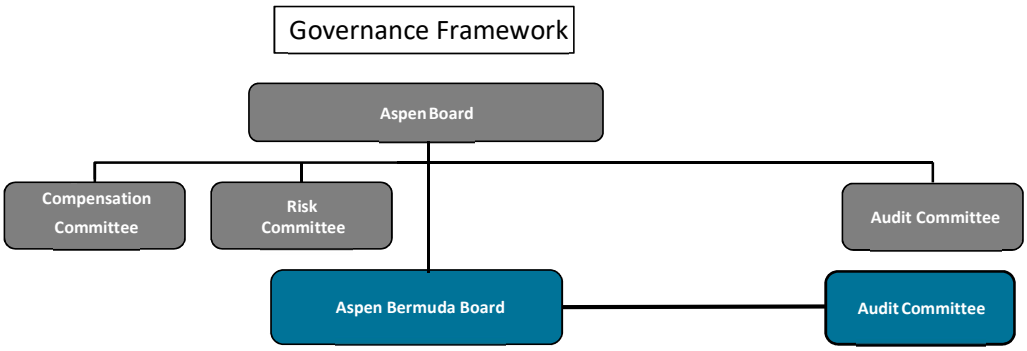
1.8 Other Material information

There is no other material information to report.

2 Governance Structure

2.1 Board and Senior Executive

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



Aspen

Following the Merger, the Board 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. In addition, following the Merger, the Board no longer has a standing Investment Committee, as this governance and responsibility is now performed by certain officers and employees of the Company and Apollo.

Listed in the table below are the directors of Aspen's Board of Directors (the "**Board**") as at December 31, 2019 with changes through to June 29, 2020:

Name	Board Position	Additional Responsibilities
Mark Cloutier	Chairman / Executive Director	Chair of the Risk Committee and member of the Compensation Committee
Albert Beer	Non-Executive Director	Member of the Audit and Risk Committees
Joshua Black	Non-Executive Director	Member of the Risk Committee
John Cavoores	Non-Executive Director	Member of the Risk and Audit Committees
Theresa Froehlich	Non-Executive Director	N/A (appointed June 11, 2020)
Bruce Hemphill	Non-Executive Director	Member of the Risk Committee
Alexander Humphreys	Non-Executive Director	Member of the Risk and Compensation Committees
Gordon Ireland	Non-Executive Director	Chair of the Audit Committee and member of the Risk Committee
Gernot Lohr	Non-Executive Director	Chair of the Compensation Committee
Gary Parr	Non-Executive Director	N/A
Michael Saffer	Non-Executive Director	Member of the Risk Committee

Listed in the table below are the senior management of Aspen as at December 31, 2019 with changes through to June 29, 2020:

Name	Position
Mark Cloutier	Group Chief Executive Officer and Chair of the Board
Bryan Astwood	Group Chief Investment Officer
Michael Cain	Group General Counsel, Company Secretary and Group Chief Operating Officer
Kevin Chidwick	Group Chief Financial Officer (appointed May 1, 2020)
Scott Kirk	Group Chief Financial Officer (resigned April 30, 2020)
David Cohen	President and Chief Underwriting Officer of Aspen Insurance (resigned June 2, 2020)
Christian Dunleavy	Chief Underwriting Officer of Aspen Re and CEO and Chief Underwriting Officer of Aspen Bermuda
Bruce Eisler	Chief Underwriting Officer – Aspen Insurance; Chief Executive Officer – Aspen U.S. (appointed June 4, 2020)
Mohinder Kang	Chief People Officer
Richard Milner	Chief Executive Officer, Aspen U.K. and Aspen Managing Agency Limited (pending regulatory approval)
Brian Tobben	Chief Executive Officer, Aspen Capital Markets
Jonathan Ritz	President (resigned May 18, 2020)

The Board delegates oversight of the management of certain key areas to its Risk and Audit Committees. The Audit Committee is comprised entirely of independent directors and the chair of each committee reports regularly to the Board on the committees' discussions.

Audit Committee

Pursuant to its Charter, the Audit Committee has general responsibility to assist the Board in its oversight of: (i) the integrity of the Company's financial statements, including the accounting and financial reporting process of the Company and audits of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the independent auditors' qualifications, performance and independence; and (iv) the performance of the Company's internal audit functions. Among other things, the Audit Committee annually reviews the qualifications of the independent auditors, makes recommendations to the Board as to their selection and reviews the plan, fees and results of their audit.

Compensation Committee

Pursuant to its Charter, the Compensation Committee has general responsibility to assist the Board in its oversight responsibilities relating to the Company's compensation philosophy and strategy. The Compensation Committee further determines the compensation of the Group Chief Executive Officer, key employees and non-executive directors.

Risk Committee

The purpose of the Risk Committee is to assist the Board in its oversight duties in respect of the management of risk, including:

- making recommendations to the Board regarding management's proposals for the risk management framework, risk appetite, key risk limits and the use of our internal model;
- monitoring compliance with the agreed Aspen Group risk appetite and key risk limits; and
- oversight of the stress and scenario testing process established by management.

Aspen Bermuda

Listed in the table below are the directors of Aspen Bermuda's Board of Directors (the "**Bermuda Board**") as of December 31, 2019 and June 29, 2020:

Name	Board Position	Additional Responsibilities
Greg Morrison	Chairman / Non-Executive Director	Member of the Aspen Bermuda Audit Committee
Albert Beer	Non-Executive Director	Chair of the Aspen Bermuda Audit Committee
Bryan Astwood	Executive Director	Group Chief Investment Officer
Christian Dunleavy	Executive Director	Chief Underwriting Officer ("**CUO**") of Aspen Re, Chief Executive Officer and CUO of Aspen Bermuda
Mark Pickering	Executive Director	Group Treasurer and Chief Financial Officer of Aspen Bermuda
Marcus Foley	Executive Director	Group Chief Capital Management & Strategy Officer and Chief Risk Officer of Aspen Bermuda

Listed in the table below are the executive officers of Aspen Bermuda as of December 31, 2019 and June 29, 2020:

Name	Position
Christian Dunleavy	Chief Executive Officer and Chief Underwriting Officer of Aspen Bermuda
Mark Pickering	Chief Financial Officer of Aspen Bermuda
Marcus Foley	Chief Risk Officer of Aspen Bermuda

Aspen Bermuda is governed by the Bermuda Board and its Audit Committee. The Bermuda Board may establish additional committees for administrative purposes and for the consideration of matters properly delegated to the non-executive directors. The Bermuda Board holds a minimum of four meetings per year. Certain aspects of Aspen Bermuda's operations must be referred to and approved by the Bermuda Board in order to satisfy the requirements for sound and prudent management of Aspen Bermuda's business. These include 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; risk management activities; the paying of dividends; and the approval of material transactions.

Aspen Bermuda's Chief Executive Officer ("**Aspen Bermuda CEO**") chairs an Executive Committee which supports the Aspen Bermuda CEO in dealing with the day to day management of Aspen Bermuda. The Aspen Bermuda Executive Committee consists of executive directors and other senior managers. The Aspen Bermuda Executive Committee meets regularly throughout the year.

The Aspen Bermuda Audit and Executive Committees maintain terms of reference setting out their function, 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 Aspen Group committees. To ensure involvement in the decision making process, Aspen Bermuda is represented on a number of Aspen Group committees with regular feedback provided to both the Bermuda Board and Aspen 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 at around the median percentile of our peer group and the market for similar roles. Base salaries are therefore sufficient to enable executives and employees to meet their normal expenses, allowing us to operate a

flexible bonus scheme, which, if our operating performance falls below a predetermined level becomes at the discretion of the Compensation Committee.

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.

The Compensation Committee approves the bonus pool formula, following recommendations from management. Executives and employees are allocated bonuses based on the performance of Aspen, the performance of their teams and their individual contribution to the business. Bonus determinations take into account compliance with the Company's governance and risk control requirements to ensure non-excessive risk taking.

The individual elements of compensation packages will comprise fixed pay (base salary, pension and other benefits) and performance-related pay (consisting of annual incentives, deferred awards and long-term incentives).

The compensation of non-employee directors may be periodically benchmarked against peer companies, taking into account complexity, time commitment and committee duties. Non-executive directors receive annual director fees in addition to a fee for each formal Board meeting or a gathering of the Board where in-person attendance is expected (or single group of Board and/or committee meetings) attended by the director. 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

Generally, our executives participate in our retirement benefits on the same basis as all other employees in their local jurisdiction, subject to satisfying any eligibility requirements and applicable local laws. Aspen has a defined contribution plan in the United Kingdom called the Aspen U.K. Pension Plan/LifeSight (the "**Plan**"). All U.K. based employees are eligible to participate in the Plan in accordance with the auto enrolment legislation introduced in the United Kingdom. Under the rules of the Plan, participating employees are required to contribute a minimum of 3% of their base salary into the Plan which can be made via a salary sacrifice arrangement. Aspen's contributions to the Plan are based on a percentage of base salary based on the age of the employee. For employees who have or are likely to have total pension savings over the life-time allowance limit, they may elect to opt out of the Plan and receive a cash amount, subject to statutory deductions, equal to the employer pension contribution they would have otherwise received. Similarly, employees who have exceeded their annual allowance limit, may elect to limit their overall contributions to the Plan and receive a cash amount, subject to statutory deductions, equal to the total employer pension contribution they would have otherwise received.

In the United States, Aspen operates a 401(k) Plan. There are three types of contributions to the 401(k) Plan: (i) employee contributions, (ii) employer matching contributions and (iii) employer discretionary profit sharing contributions. Employees may elect to defer a percentage of their eligible compensation, subject to certain limits, on a pre-tax or after-tax basis into the 401(k) Plan. Their eligible compensation is then reduced by this election and contributed into the 401(k) Plan which may reduce their federal and most state income taxes. Employees are also eligible for matching contributions from Aspen if they elect to make deferral contributions. Certain U.S. employees also participate in the Aspen Insurance U.S. Services Inc. Nonqualified Deferred Compensation Plan. Employer contributions to the Nonqualified Deferred Compensation Plan are made to a selected number of Executives based on a total calculation not to exceed the limit determined by the Compensation Committee.

2.1.4 Material transactions

Apollo's indirect subsidiary, Apollo Asset Management Europe PC LLP ("**AAME**"), serves as the investment manager for certain of the Company's subsidiaries, 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 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.

Investment Management Relationships Generally

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. AAME is integrated into the Apollo investment platform and provides the Company with access to Apollo's investment expertise and fully-built infrastructure without the burden of incurring the development and maintenance costs of building an in-house investment asset manager with the capabilities of Apollo/AAME.

AAME is registered in England and Wales and is authorized and regulated by the Financial Conduct Authority in the United Kingdom under the Financial Services and Markets Act 2000 and the rules promulgated thereunder for the primary purpose of providing a centralized asset management and risk function to European clients in the financial services and insurance sectors. AAME has necessary permissions to engage in certain specified regulated activities including providing investment advice, undertaking discretionary investment management and arranging deals in relation to certain types of investment.

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. In this regard, AAME is able to leverage its relationships with other Apollo-affiliated investment advisors in a sub-advisory capacity, pursuant to which AAME has mandated its affiliates, Apollo Management International LLP ("**AMI**") and Apollo Capital Management L.P. ("**AMC**"), to invest in asset classes in which they have investment expertise and sourcing capabilities, such as middle market loans, commercial mortgage loans, structured products and short term secured investments. Pursuant to the IMAs, all sub-advisors and delegates are ultimately overseen by AAME to ensure they are appropriate for the business and consistent with the investment strategy of the Aspen Group and such sub-advisory delegations are revocable by AAME.

IMAs — U.S., Bermuda and U.K.

In April 2019, following the completion of the Merger, AAME was engaged as the investment advisor for certain of our subsidiaries in the U.S., Bermuda and U.K. The assets of those subsidiaries are managed by AAME and certain affiliates of AAME through a sub-advisory arrangement.

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.

Termination of Investment Management or Advisory Agreements with AAME

The IMAs have no stated term and may be terminated by either AAME or the relevant subsidiary, as applicable, upon 60 days' notice at any time or when required by such party's regulator or by applicable law. In addition, AAME may terminate the IMAs immediately upon notice if the implementation of any amendments to the applicable investment guidelines is impossible for, or cannot reasonably be expected of, AAME. Such termination rights may adversely affect the Company's investment results.

Third Party Sub-Advisory Agreements

In the limited instances in which AAME desires to invest in asset classes for which neither AAME nor Apollo possesses the investment expertise or sourcing abilities required to manage the assets, or in instances in which AAME makes the determination that it is more effective or efficient to do so, AAME may mandate third-party sub-advisors to invest in such asset classes. Pursuant to IMAs, the Company's subsidiaries will be responsible for fees paid to such sub-advisors.

Management Consulting Agreement

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.

The Management Consulting Agreement is effective February 15, 2019 (the "**Commencement Date**") and has an initial term period of eight years from the Commencement Date. The Management Consulting Agreement will be automatically extended for an additional 12-month term on each of the eight-year and nine-year anniversary of the Commencement Date absent contrary notice by either party given not less than 30 days prior to such anniversary date. The Management Consulting Agreement will be automatically terminated on the occurrence of the consummation of any transaction or series of transactions, whether or not related, as a result of which New Holders (as defined in the Management Consulting Agreement) become the beneficial owner, directly or indirectly, of more than ninety percent of the ordinary shares or other common equity and voting securities of the Company and its subsidiaries.

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 may 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. The Chair or Board may also conduct a periodic assessment of a Board's skills and competencies. In the case of the Aspen Board, director qualifications and independence are assessed each year in accordance with applicable requirements. The assessment considers, among other matters, whether the Board and relevant Board Committee members meet the standards required by applicable regulatory guidance. Aspen U.K. and AMAL now have an annual attestation process for all Senior Insurance Managers and Key Function Holders.

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 conducted standards and remains suitably qualified, through a review of required knowledge, competence, qualifications and, where necessary, development requirements.

Background checks are conducted on all staff at the point of recruitment and third party suppliers are utilized to perform such checks as appropriate.

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

Directors

The qualifications of the directors of the Board as of June 29, 2020 were as follows:

Mark Cloutier, Group Chief Executive Officer, Executive Chairman of the Board, Chair of the Risk Committee and Member of the Compensation Committee

Mr. Cloutier was appointed Executive Chairman and Group Chief Executive Officer of Aspen on February 15, 2019. He had previously been Executive Chairman of the Brit Group since January 2017 and prior to this, he was Chief Executive Officer of the Brit Group from October 2011. As Chief Executive Officer, Mr. Cloutier led a major restructuring of Brits' 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 Chief Executive Officer 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 has been a member of the Franchise Board and Audit Committee of the Society of Lloyd's since February 2015 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.

Albert Beer, Independent Director and Member of the Audit and Risk Committees

Mr. Beer has over 40 years of actuarial and management experience in the insurance industry and has also served as a director of Aspen Bermuda Limited since July 2014. Mr. Beer previously held various roles at American Re-Insurance Corporation/Munich Re America, which included the active supervision of principal financial and accounting officers. Mr. Beer is the Michael J. Kevany/XL Professor of Risk Management, Insurance and Actuarial Science at The Peter J. Tobin College of Business School of Risk Management, Insurance and Actuarial Science at St. John's University. Mr. Beer graduated Phi Betta Kappa from Manhattan College with a B.S. in Mathematics and holds an M.A. in Mathematics from the University of Colorado. Mr. Beer was appointed to the Board on July 23, 2019 after having previously served on the Board from February 4, 2011 until February 15, 2019.

Joshua Black, Director and Member of the Risk Committee

Mr. Black is a Principal in Apollo's Private Equity division, having joined Apollo in 2011. Mr. Black focuses on a wide range of industries, including property and casualty insurance. Prior to joining Apollo, he was a member of the Leveraged Finance Product Group at Goldman Sachs & Co., having worked previously in its Financial Institutions Industry Group. Mr. Black currently sits on the board of Sun Country Airlines, Tegra, Huddle House, Somerset Partners, Augustus Specialty, Pacific Quick Serve (BK Franchisee) and ESW. Mr. Black graduated cum laude from Princeton University with a B.A. in Religion. Mr. Black was appointed as a Director of the Board on February 15, 2019 and is a member of the board of Highlands Holdings, Ltd.

John Cavoores, Independent Director and Member of the Audit and Risk Committees

Mr. Cavoores has over 40 years of experience within the insurance industry having, among other positions, formerly served as President and Chief Executive Officer of OneBeacon Insurance Company from 2003 to 2005. Among his other positions in the insurance industry, Mr. Cavoores was President of National Union Insurance Company, a subsidiary of AIG, Inc. and spent 19 years at Chubb Insurance Group, where he served as Chief Underwriting Officer, Executive Vice President and Managing Director of overseas operations, based in London. Mr. Cavoores has also held several directorships on the boards of financial services and other companies and served as Senior Insurance Advisor to The Blackstone Group from September 2006 until March 2010. As a result, Mr. Cavoores provides the Board with broad-ranging business experience, with a particular focus on insurance matters and strategies within the U.S. Mr. Cavoores graduated from Holy Cross with a degree in Economics. Mr. Cavoores was appointed to the Board as an Executive Director on October 30, 2006 and has served as a Non-Executive Director since January 1, 2012. Mr. Cavoores also currently serves on the board of BritCore.

Theresa Froehlich, Independent Director

Ms. Froehlich has been a director of the Company since June 11, 2020. 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. 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. In addition, Ms. Froehlich has served as the Chair of Aspen Insurance U.K. Limited and as a Non-executive Director of Aspen Managing Agency Limited, where she also chairs the Risk Committee, since November 2019. Ms. Froehlich started her career as a commercial solicitor in Scotland before moving into M&A and structured finance.

Bruce Hemphill, Director and Member of the Risk Committee

Mr. Hemphill has over 25 years of experience in the financial services industry and was, prior to his appointment to the Board, Chief Executive Officer of Old Mutual plc during its restructuring. Having held a variety of senior management roles leading multi-jurisdictional financial services businesses through corporate transformation initiatives, Mr. Hemphill provides the Board with extensive financial services industry experience with a particular focus on improving performance through restructures and divestitures. Mr. Hemphill holds a B.A. in Politics from the University of Cape Town and is a qualified solicitor in England and Wales having completed the Common Professional Law Society Examinations at the College of Law, Lancaster Gate, London. Mr. Hemphill was appointed as a Director of the Board on July 23, 2019. Mr. Hemphill also currently serves on the board of Catalina Holdings (Bermuda) Ltd.

Alexander Humphreys, Director and Member of the Compensation and Risk Committees

Mr. Humphreys is a Partner of Apollo Global Management, Inc., which he joined in 2008. Prior to this, Mr. Humphreys worked at Goldman Sachs in its London-based 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., Luminescence Cooperatief U.A., HD Financial Holdings Limited (parent company of Haydock Finance Holdings Limited) and Amissima Holdings, S.r.l. He was appointed as a Director of the Board on February 15, 2019 and is a member of the board of Highlands Holdings, Ltd.

Gordon Ireland, Independent Director, Chair of the Audit Committee and Member of the Risk Committee

Mr. Ireland has over 35 years of experience within the financial services sector, having worked at PricewaterhouseCoopers and its predecessor firms for 36 years until 2010, where he was also a member of the U.K. Firms' Supervisory Board for nine years. From July 2010 until June 2015, Mr. Ireland was a director of L&F Holdings Limited and Chief Executive of L&F Indemnity Limited, the professional indemnity captive insurance group which serves the PricewaterhouseCoopers network. Mr. Ireland has held a number of directorships on the boards of financial institutions and is currently a director of Yorkshire Building Society. As a result of his audit-led exposure to the London Market and general insurance and reinsurance markets throughout his career, Mr. Ireland provides strong insurance audit skills and technical accountancy expertise to our Board. As a result, he serves as Chair of the Audit Committee, on which he is also a designated financial expert, and as a member of the Risk Committee. Mr. Ireland graduated with Honors from Southampton University with a BSc in Mathematics. Mr. Ireland was appointed as a Director of the Board on February 7, 2013.

Gernot Lohr, Director and Chair of the Compensation Committee

Mr. Lohr joined Apollo in 2007 after having been 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. Mr. Lohr worked at McKinsey & Company and B. Metzler Corporate Finance in Frankfurt. Today, Mr. Lohr is a member of Apollo's Management Committee and oversees Apollo's investments in the financial services sector. He serves on the board of directors of Athene Holdings, Athora Holding, Ltd, BKB Bank and Catalina Holdings (Bermuda) Ltd. Mr. Lohr was appointed as a Director of the Board on February 15, 2019 and serves on the Compensation Committee. Mr. Lohr graduated from the University of Karlsruhe, Germany, with a joint Master's Degree in Economics and Engineering and holds an MBA from the MIT Sloan School of Management, where he is currently a member of the MIT Sloan Advisory Board.

Gary Parr, Director

Mr. Parr is a Senior Managing Director and Executive Committee member of Apollo Global Management, Inc. Previously, Mr. Parr was a Deputy Chairman and on the board of directors of Lazard, LLC. Prior to that, he was with Morgan Stanley, where he served as a Vice Chairman, the Head of Global Financial Institutions and Co-Head of the Global M&A Group. Mr. Parr was the Chairman of the New York Philharmonic and is now the Chairman of the Parr Center for Ethics at the University of North Carolina and a trustee of the Morgan Library. He was previously the Chairman of Venetian Heritage and a board member of Lincoln Center and the Berkeley Divinity School at Yale. Mr. Parr graduated with honors, Phi Beta Kappa and Beta Gamma Sigma, from the University of North Carolina and received his MBA from Northwestern University. He received the Outstanding Alumni Award at the University of North Carolina in 2013. Mr. Parr was appointed as a Director of the Board on February 15, 2019.

Michael Saffer, Director and Member of the Risk Committee

Mr. Saffer is a Principal in the London Private Equity team at Apollo Global Management, Inc., having joined in 2015. Mr. Saffer has been involved in various private equity transactions including Apollo's acquisition of Oldenburgische Landesbank (OLB), Catalina Holdings (Bermuda) Ltd., Aspen and Gamenet. Mr. Saffer was appointed as a Director of the Board on February 15, 2019 and serves on the Risk Committee as well as on the boards of Highlands Holdings, Ltd. and Gamenet. Previously, Mr. Saffer was a member of the M&A group at Credit Suisse based in London. 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 June 29, 2020 were as follows:

Mark Cloutier, Group Chief Executive Officer and Chair of the Board

Refer to Mr. Cloutier's Biographical Information under Directors above.

Bryan Astwood, Group Chief Investment Officer

Mr. Astwood has served as Aspen's Group Chief Investment Officer since 2009 and as its Group Representative to the BMA since 2014. He has over 30 years of experience in the fixed income, equity, foreign exchange and commodity markets, having begun his career at the Bank of Bermuda. Prior to joining Aspen in 2003 as Group Treasurer, he worked at Bank of America in Hong Kong, Industrial Bank of Japan in Tokyo and Butterfield Asset Management and Orbis Investment Management in Bermuda.

Michael Cain, Group General Counsel, Company Secretary and Group Chief Operating Officer

Mr. Cain joined the Company as Group General Counsel and Company Secretary in March 2008 and served in this capacity until May 2019 when he was appointed Group Chief Operating Officer. In March 2020, he resumed his role as Group General Counsel and Company Secretary in addition to Group Chief Operating Officer. Mr. Cain also serves as Chief Executive Officer of both Aspen U.K. and AMAL (a role on which he is focusing pending further appointments) and previously served as Chief Executive Officer of Aspen Bermuda. He also holds directorships on various boards of Aspen's subsidiaries. Prior to joining the Company, Mr. Cain served as Corporate Counsel and Company Secretary to Benfield Group Limited from 2002 to 2008 and has worked at law firms Barlow Lyde & Gilbert LLP and Ashurst LLP.

Kevin Chidwick, Group Chief Financial Officer

Kevin Chidwick was appointed Group Chief Financial Officer, effective May 1, 2020. Kevin was previously Chief Financial Officer at financial advice network Openwork Limited, a role he was appointed to in March 2018. From September 2005 to August 2014, Kevin was Chief Financial Officer of Admiral Group Plc. He was appointed to the Admiral Group Plc Board in 2006. He also held senior roles within the Admiral Group Plc including Chief Executive Officer of Elephant Auto Insurance in the U.S. from January 2012 to March 2017, where he grew annual revenue from $17m to $200m, and Chief Executive Officer of Confused.com from November 2010 to December 2011.

Christian Dunleavy, Chief Underwriting Officer of Aspen Re and CEO and Chief Underwriting Officer of Aspen Bermuda

Mr. Dunleavy joined Aspen in 2015 as Head of Global Property Catastrophe. He was appointed as Chief Underwriting Officer of Aspen Re and CEO of Aspen Bermuda in May 2019. He has also served as Chief Underwriting Officer of Aspen Bermuda Limited since May 2017. Mr. Dunleavy joined Aspen Re in September 2015 as Head of Global Property Catastrophe. 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 Colonial Group International.

Bruce Eisler, Chief Underwriting Officer of Aspen Insurance and CEO Aspen U.S.

Bruce Eisler was appointed Chief Executive Officer U.S. and Chief Underwriting Officer, Aspen Insurance in June 2020. Originally a lawyer and a current member of the Pennsylvania Bar, Bruce Eisler began his insurance career as the

claims counsel for Cigna Property & Casualty. He then moved to AIG, where he handled professional liability claims. Bruce has also held various 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.

Mohinder (Mo) Kang, Chief People Officer
Mr. Kang joined the Company as Chief People Officer in November 2019. He joined the Company from the Post Office Limited where he was Group HR Director. Mr. Kang's extensive experience includes leading significant change projects, as well as developing people and communication strategies. Mr. Kang had previously served as Group HR and Corporate Communications Director at Hyperion Insurance Group, and Group Chief Human Resources Officer at QBE Insurance Group as well as Organisation Development Director at Zurich Financial Services.

Richard Milner, Chief Executive Officer, Aspen U.K. and Aspen Managing Agency Limited (pending regulatory approval)

Richard Milner was appointed Chief Executive Officer, AIUK and AMAL in June 2020. Richard has more than 20 years of experience across a number of global (re)insurance markets having worked in London, Bermuda and Singapore. Over his career Richard has gained underwriting experience across multiple product lines and in all areas of management, leadership, capital planning and underwriting. Prior to joining Aspen, he was Chief Executive Officer at VIBE Re, the reinsurance operation of VIBE Syndicate. He has also served in senior positions at AXIS Capital, including President and Chief Underwriting Officer, AXIS Re London and APAC, and Head of Global Business Development, AXIS Re.

Brian Tobben, Chief Executive Officer, Aspen Capital Markets

Brian Tobben was appointed Chief Executive Officer of Aspen Capital Markets in June 2020. He joined Aspen in April 2013 as Managing Director of Aspen Capital Markets, a division of Aspen. Before joining Aspen, Brian 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, Brian was at Aquila Energy where he held a number of roles including Vice President, Business Development, Weather.

Aspen Bermuda

Directors and Officers

The qualifications of the directors and executive officers of Aspen Bermuda as of June 29, 2020 were as follows:

Greg Morrison, Independent Director

Mr. Morrison was appointed to the Bermuda Board in April 2009. Mr. Morrison currently serves on the boards of Aetna Life & Casualty (Bermuda) Ltd, Weston Insurance Holdings Ltd, Multi-Strat Holdings Ltd, Teekay Offshore Partners LLP and various subsidiaries of Brookfield Asset Management, Inc. He has held chief executive positions in a number of private and public insurance and reinsurance companies. Mr. Morrison was a Fellow of the Society of Actuaries (retired), and serves as an active member of Board Audit and Risk Committees. Mr. Morrison was appointed Company Chairman on March 20, 2014.

Albert Beer, Independent Director

Refer to Albert Beer's Biographical Information under Directors above.

Bryan Astwood, Executive Director

Refer to Brian Astwood's Biographical Information under Senior Management above.

Christian Dunleavy, Executive Director, Chief Executive Officer and Chief Underwriting Officer

Refer to Christian Dunleavy's Biographical Information under Senior Management above.

Mark Pickering, Executive Director and Chief Financial Officer

Mr. Pickering joined Aspen in September 2015 as Group Treasurer and also assumed the role of Chief Financial Officer of Aspen Bermuda in June 2018 with responsibility for all aspects of the financial, treasury, investments, and regulatory accounting/reporting. Mr. Pickering has 18 years of experience in the (re)insurance industry. Prior to joining Aspen, Mr. Pickering was Senior Vice President, Treasurer with Platinum Underwriters Holdings, Ltd. in Bermuda from 2006 to 2015. Mr. Pickering is a Chartered Financial Analyst, Chartered Professional Accountant (Chartered Accountant) and also an Associate in Reinsurance. On August 1st 2018, Mr. Pickering was appointed to the Bermuda Board as well as to the role of Aspen Bermuda Principal Representative.

Dr Marcus Foley, Executive Director and Chief Risk Officer

Dr. Foley was appointed Chief Risk Officer of Aspen Bermuda Limited in November 2015, and has been on the Board since February 2016. In addition to his role as CRO of Aspen Bermuda Limited, he performs the role of Group Chief Capital Management and Strategy Officer. Dr. Foley has a computational physics PhD from University College Cork in Ireland. In 2005 he joined EMB consultancy, where his work was centered around capital modelling, including specialised projects and bespoke capital model builds. In 2008, Dr. Foley moved to Aspen, where he held various positions in the capital modelling team. He became head of the team in 2011, and took on the responsibilities of Interim Group Head of Insurance risk for a 6 month period in 2013. In July 2015, Dr. Foley moved away from the Aspen group capital model and took the role of Group Head of Capital Management, where he supported the Group CFO and Group CRO. In May 2019, he was appointed Chief Strategy Officer, focused on developing and executing strategic corporate initiatives and performance analysis metrics and methods, in addition to retaining his ABL CRO role. He also joined the Group Executive Committee.

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 Risk Management Strategy for the Aspen Group is set out in the Group Internal Control and Risk Management Framework (the "**Framework**"). Subject to local regulatory and legal constraints, Aspen seeks to operate consistent internal control and risk management systems for each of its regulated entities (including Aspen Bermuda).

The Framework consists of three tiers of key documentation as follows:

- *Tier 1* – the Framework document is supported by three additional documents dealing with risk identification and categorization (the "**Risk Universe**"), Risk Appetite and Risk Limits and provides a high level overview of the internal control and risk management systems.

- *Tier 2* – a series of nine documents intended to serve as user guides for employees and directors. These provide more detailed information on Aspen's policies in relation to a particular area of activity including an overview of related policies.

- *Tier 3* – the individual policy and procedure documents which provide the details of the day-to-day operations and controls.

All three levels of risk and internal control policies are available to all staff through Aspen's intranet. The owners ensure the applicability and appropriateness of these documents. All Tier 1 and Tier 2 documents relating to Risk Management are reviewed annually, with any major changes subject to approval by the Risk Committee.

Details of specific processes and their day to day operation are included in Tier 2 and 3 documents:

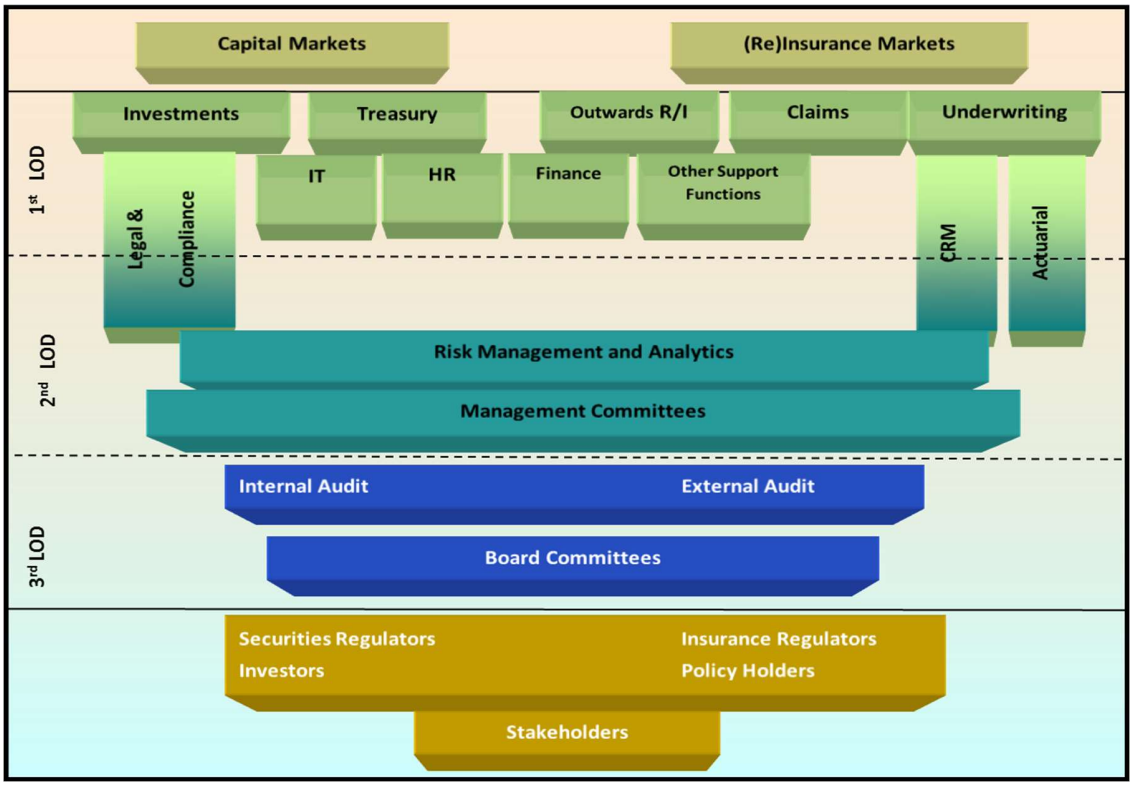
- *Identify* – Aspen records all the risks to which it is exposed in the Risk Universe, with additional detail relating to operational risk recorded in the Operational Risk Register. Maintenance of the Risk Universe and the Operational Risk Register is the responsibility of Risk Management.

  Emerging risks are assessed through the emerging risk process and added to the Risk Universe and Operational Risk Register, if appropriate.

- *Measure* – Aspen has developed and implemented a series of risk management tools, such as the Internal Model and the Stress and Scenario Testing ("**SST**") program to aid our quantification of risk. The Tier 1 Risk Limits document outlines the Key Risk Limits at a Group and Operating Subsidiary level. Areas not quantifiable in this way, such as operational risks, are measured by a process of scenario analysis, supported by empirical evidence where possible and assigned estimates of probability and severity based on our expert judgement.

- *Monitor* – Aspen uses a wide range of processes and measurement systems to monitor risks, particularly material risks. These are overseen by subject-matter experts within the Risk Management and Capital Management Departments.

- *Manage* – A variety of approaches are used to manage and optimize core risks. These include limits on the acceptance of risk by our underwriting teams and investment functions and risk mitigation by ceded reinsurance and hedging strategies. Operational risks are managed by segregation of duties, systems of internal control and contingency plans as appropriate. The management of risk is a key objective of Aspen's Three Lines of Defense structure model, as illustrated by the following diagram:


Capital Markets
(Re)Insurance Markets
1st LOD
Investments
Treasury
Outwards R/I
Claims
Underwriting
IT
HR
Finance
Other Support Functions
Legal & Compliance
CRM
Actuarial
2nd LOD
Risk Management and Analytics
Management Committees
3rd LOD
Internal Audit
External Audit
Board Committees
Securities Regulators
Investors
Insurance Regulators
Policy Holders
Stakeholders

2.3.2 Implementation of Risk Management and Solvency Self-Assessment systems

Risk Appetite

Aspen has an established Risk Appetite Statement that is consistent in nature throughout its Operating Subsidiaries. The Risk Appetite Statement, which is approved by the Group Risk Committee, articulates the Risk Appetite in terms of the following components:

Risk Preferences	a high level description of the types of risks we prefer to assume and those we prefer to minimize or avoid within the context of our objectives
Return Objective	the levels of return on capital we seek to achieve subject to our risk constraints
Volatility	a limit on earnings volatility
Capital Constraint	a minimum level of risk adjusted capital based on Aspen's Economic Capital Model while also ensuring that rating, regulatory or business capital requirements are met

The Risk Appetite statement is a central component of the Group's overall risk management framework. It sets out, at a high level, how we think about risk in the context of our business model, Group objectives and strategy. It sets out boundary conditions and limits for the level of risk we assume, together with a statement of the reward we aim to receive for this level of risk. The key assumption underlying our Risk Appetite Statement is that if we can consistently deliver our return objective while operating within our risk preferences and risk constraints, then we are more likely to achieve our objective of delivering superior shareholder value.

Risk Universe

Aspen records all risks in the Risk Universe where we distinguish between core risks and non-core risks. Core risks are risks that we are prepared to assume because they are part of our value creation strategy. Non-core risks are risks that are not part of our value creation strategy and which we seek to avoid or minimize.

Core Risks

Core risks include insurance risk and market risk in pursuance of our underwriting and investment strategies respectively.

Our underwriting strategy encompasses underwriting profitable specialty non-life insurance and reinsurance business. We plan to take controlled, well managed and well understood insurance risk in pursuit of this core objective. We seek to diversify our portfolio of insurance risks as a means to manage volatility.

Insurance risk is the risk inherent within the underwriting we do. We will manage both earnings volatility and balance sheet threats associated with insurance risk to levels agreed with the Board as part of the planning process each year. We seek to continually improve the way we understand and measure insurance risk to reduce uncertainty in estimation.

We have an appetite to accept insurance risk, both underwriting and reserving risk, arising from general property and casualty exposures, the transportation and energy sectors and financial, professional and political risks. We recognize that this exposes us to losses arising from natural catastrophes, large man-made events, fluctuations in the levels of attritional losses, legal risks, acts of violence, political, credit and economic risks.

We will accept market risk, and have an investment appetite balancing interest rate risk, credit risk, alternative asset risk and equity risk depending on the opportunities available. Our market risk will be commensurate with our need to maintain appropriate liquidity as well as appropriate capital to support these investments.

We will manage our assets to ensure that they are of sufficient quality to support our collateral obligations to clients and to ensure that liquidity is available to meet our liabilities as they fall due. We will also maintain sufficient liquidity to meet the cash flow requirements arising from large losses. We will limit exposure to investments which cause high earnings volatility.

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

Non-Core Risks

Non insurance or market related aspects of credit risk will normally be treated as non-core risks and thus where possible minimized through control or avoidance, except where to do so would lead to higher than acceptable risk in other areas. For example, we may accept higher outwards reinsurance credit risk in place of insurance risk if no better option is available.

All other risks to the business are deemed non-core risks. These include operational, liquidity, reputational, emerging, strategic, regulatory and taxation risks and, where considered material, will be minimized through control or avoidance where possible.

Risk Limits

Managing Risk Limits are an integral component of the risk management systems. They are reviewed each year to take account of changes to Aspen's Business Plan so that the limits reflect the prospective analysis of risk exposures completed through the planning process and take into account other factors such as changes in the external environment.

Risk Appetite and Risk Limit Reporting

Aspen's risk position is presented quarterly to the Risk Committee. In presenting the assessment of risk to the Risk Committee, the Group Chief Risk Officer ("**Group CRO**") will consider whether any of the Risk Appetite constraints and/or Key Risk Limits have been breached. If so, the Risk Committee agrees how to control and limit the risk to the business by, for example, reducing exposure or considering whether capital needs to be increased. The proposed actions are then presented to the Board for approval.

Aspen Bermuda

Aspen Bermuda's risk management systems are broadly consistent in nature with the Group process described above. The key difference is that Aspen Bermuda's Risk Appetite Statement is more aligned to entity obligations and does not have a specific return objective. All Tier 1 Aspen Bermuda documents and any major changes to them are subject to approval by the Bermuda Board.

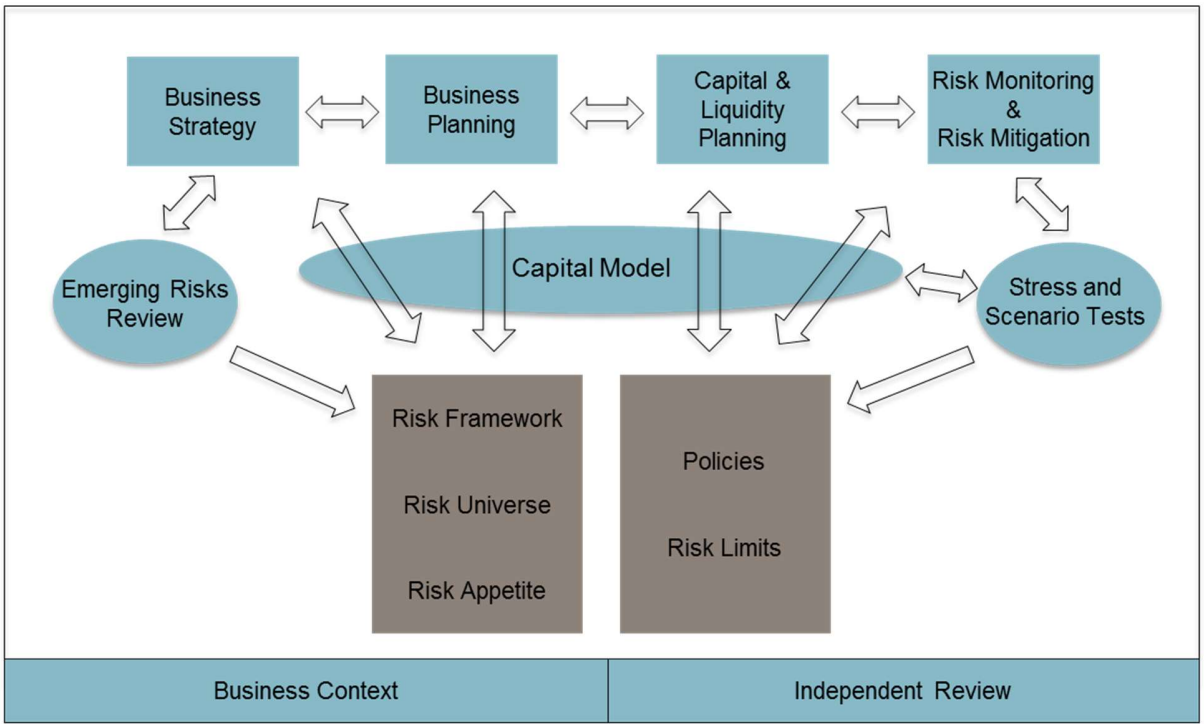
2.3.3 Relationship between Solvency Self-Assessment, solvency needs and Capital and Risk Management systems

Integration of the Risk Management System

The Group Solvency Self-Assessment ("**GSSA**") and Commercial Insurer Solvency Self-Assessment ("**CISSA**") policy describes the Aspen and the Aspen Bermuda Own Risk and Solvency Assessment ("**ORSA**") processes. This policy underpins the GSSA/CISSA, how they integrate with strategic and business decision making, and how they link to the broader risk management framework.

The GSSA[5] is embedded as a series of 'business as usual' processes and how these in aggregate address the full range of expected ORSA considerations and outcomes over the course of a business year. The GSSA process is illustrated in Figure 1 below.

Figure 1 – Group Solvency Self-Assessment Process



The GSSA policy explains that GSSA outcomes are communicated internally via those business as usual processes with which they are aligned, in a context that allows stakeholders at all levels to act effectively on them in their day to day management and decision making. The policy recognizes that the Group is required to report both the GSSA process and its outcomes at least once a year to the BMA.

An important aspect of the GSSA is the inter-linkages between the processes in Figure 1. The two boxes at the bottom of Figure 1 represent the framework for the management and control of risk which are described above. The other processes are described below:

- The **Framework** is the over-arching control mechanism that defines the controls in place and the processes we will follow within Aspen to manage risk. The first two key documents within the overall Framework are the **Risk Universe**, which defines and categorizes the risks that we are currently exposed to, and the **Risk Appetite Statement**, which defines how much risk we are willing to take. To assist the embedding of the Framework into the business, we use Risk Policies and Risk Limits.
- **Risk Policies** define the processes we will follow in managing the different categories of risk on a day to day basis. They also describe the internal control processes.
- In order for us to translate the Risk Appetite Statement into more meaningful variables which we can monitor in terms of key areas of our risk (key here being those which are most impactful on the variability of our results and our required capital), we use a series of **Risk Limits**. In totality these Risk Limits are a translation of our Risk Appetite into more detailed limits, which can be easily cascaded down to lines of

[5] The CISSA follows a very similar process but for simplicity only the GSSA is referenced.

business (where applicable) and then monitored and managed by underwriting teams or support teams and reported to governance bodies as required.

- The overall Framework is a fluid set of documents which are adapted as the business evolves. For example, if we discover the business faces additional risks through our **Emerging Risks Review** processes then we will add the risks to the Risk Universe and adapt our Risk Appetite and Risk Limits depending on the impact they could have on the business. As another example, our SST may uncover other aspects which were previously unknown, or not well understood, and the Framework will be adapted accordingly.
- **Business Strategy** is reviewed on a periodic basis by the Board. It is informed by inter alia, the previous strategy, the company's results and performance against business plans, the latest understanding of current and prospective risks that the Board considers it faces and a quantitative assessment of its strategies using our Internal Model. Any review of business strategy will consider in particular, whether strategy options are consistent with or require changes to our Risk Universe or Risk Appetite. A strategy review may introduce new categories of risk which would mean the Risk Universe would need to be updated and policies defined for the management of those new risks. Similarly any revisions to strategy may require a change in the risk appetite.
- **Aspen Group's Business Planning Process** is an annual process (subject to any changes considered material enough to warrant a full update in the interim) that produces updated 3 year projections for the Group and its component entities. The business plans will take into account the agreed strategy and a further assessment of the current and prospective risks that the company considers need to be taken into account and again a quantitative assessment of each of the plans using the Internal Model. The three year plans and the associated capital requirement projections are reviewed by the Risk Committee and Board annually as part of the GSSA process and reflected in the GSSA report.
- **Capital & Liquidity Planning** outlines the available capital for both Aspen and its Operating Subsidiaries along with contingency options in the event that additional capital is required. It also describes fungibility issues which impact liquidity.
- Alongside the annual business plan, there are regular **Risk Monitoring** processes in place to provide management and the Risk Committee and the Board with an assessment of the current risk environment and to ensure we are adhering to our risk policies. These processes take into account output from the latest update of the Internal Model and other risk monitoring processes to ensure the Risk Appetite Statement and all Risk Limits are being met. The key report to the Risk Committee is the quarterly CRO Report but there are also specific reports on risk matters in addition, e.g. SST. As part of the risk monitoring process, any breaches of risk limits are discussed. In the quarterly Group CRO report, the Group CRO will put forward any risk mitigation to address any risk limit breaches identified. This may include reducing risk exposure, a recommendation for further capital to be raised or the recommendation for new or amended risk limits. The mitigating actions will then be discussed at, and any action agreed by, the Board. In addition, the potential for any additional SST will be considered.

A critical component of our GSSA process, as can be seen from Figure 1 above, is our Internal Model. The Internal Model is a core component of many decision making processes within Aspen and is used to derive the capital the business needs to meet its risk profile and risk appetite. As well as being an integral part of our management process, both in terms of general decision making and the risk management framework, we recognize that from time to time independent processes should be used to ensure the Internal Model output is reasonable. We use the SST process as a check on the Internal Model output, particularly in the tail of the distribution.

2.3.4 Approval process

The CROs of Aspen and Aspen Bermuda present quarterly reports to the Board and Bermuda Board respectively, which outline the position against both Risk Appetite and Risk Limits.

The formal GSSA assessment is approved by the Group CEO, Group CRO and an Aspen non-executive director as part of the overall Group Capital and Solvency Return ("**CSR**") submission.

Prior to the approval by the Group CEO and Group CRO, the GSSA was reviewed by:

- the Group Supervisory Steering Committee;
- the Risk Committee.

Similarly, Aspen Bermuda's CISSA is reviewed by the Bermuda Board prior to its approval by the CEO, CFO and CRO of Aspen Bermuda as part of the overall CSR submission.

Internal Audit reviews and verifies the process and controls of the GSSA and CISSA to ensure they are appropriate and operate effectively.

2.4 Internal Controls

2.4.1 Internal Control system

An overview of the internal risk management 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 Steering Group 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, are 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's compliance functions, consisting of a Group Compliance function and local compliance teams in the U.K., the U.S. and Bermuda, are part of the second line of defense in our three lines of defense structure.

The role of each local compliance team is to provide assurance to local executive management and the Operating Subsidiary boards that Aspen's business operations meet all applicable local regulatory requirements and reflect all relevant guidance and best practice standards. In doing so, the local compliance functions seek to ensure that the risks to Aspen's overall strategy and local business plans resulting from local regulatory intervention, reputational risk or non-compliance with applicable laws and regulations are minimized. The key leadership positions of the local compliance teams are members of their respective local executive committees, such as the U.S. General Counsel and Head of Compliance, and the Bermuda Head of Compliance.

The Group Compliance function is led by the Group and UK Compliance Director who reports to the Group General Counsel, who in turn reports to the Group Chief Executive Officer. The role of the Group Compliance function is to provide assurance to Group executive management and the Aspen Board that Aspen's business operations as a whole meet all applicable regulatory requirements worldwide and are otherwise reflective of what Aspen considers to be overall best practice. The Group and UK Compliance Director also seeks to ensure that Aspen's local compliance teams are operating in a coordinated and efficient manner on issues of common interest across operating platforms or where varying local standards impose differing requirements on Aspen's global product lines. Accordingly the Group Compliance function develops and issues certain policies and procedures which apply on a global basis.

Aspen ensures that responsibility for compliance oversight is clearly apportioned within local and Group management structures.

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 functionally to the Group Audit Committee and administratively to the Group Chief Executive Officer ("**CEO**") / Chairman; and operates at all times with independence and objectivity. The Head of Internal Audit will also report matters to the CEOs of Aspen's Operating Subsidiaries and the Audit Committee Chairs of Aspen's Operating Subsidiaries as appropriate.

The administrative role of the Group CEO / Chairman, in relation to the Head of Internal Audit, includes primary responsibility for recruitment, goal setting, performance appraisal and recommendations on remuneration. The Audit Committees of Aspen's Operating Subsidiaries may provide input to the performance appraisals and (in

accordance with the BMA's Group Supervision Rules) remuneration decisions will be made by the Group Compensation Committee in consultation with the Chair of the Group Audit Committee.

The Group Audit Committee reviews and concurs on the appointment, replacement or dismissal of the Head of Internal Audit, with input from the Audit Committee members of Aspen's Operating Subsidiaries.

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; and
- have full and free access to the Aspen Audit Committees. The Head of Internal Audit is authorized to call a meeting with the Chairman 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.
- 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 Chairman of the Audit Committee and the Chairmen of the Audit Committees of Aspen's Operating Subsidiaries, as appropriate.

2.5.4 Audit Coverage

Internal Audit coverage is broad, encompassing all of Aspen's business activities. This includes all entities within the Aspen Group and is also influenced by external factors such as industry, and local country and state regulations. Auditable areas are 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 is 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 Communication of results

Results and conclusions of audit work are reviewed with management responsible for the activity being evaluated. This will include: the relevant Group Executive Committee member, the relevant Operating Subsidiary Executive Committee member, and other management as deemed appropriate.

In addition, periodic reports are provided, usually on a quarterly basis, to the Group Audit Committee and the Audit Committees of Aspen's Operating Subsidiaries which cover, among other things, updates on progress of the annual Internal Audit plan and the status of any open or overdue items.

2.5.6 Independence

To preserve its independence and objectivity, including the perception of its independence and objectivity, Internal Audit will not:

- be responsible for the implementation of corrective measures;
- second staff, or provide consultancy services to business functions, if it is 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

Within the Actuarial Function are the following teams:

- Insurance Actuarial Team;
- Reinsurance Actuarial Team; and
- Independent Actuarial Team (whose role is to assess the work of the pricing and reserving teams and ensure sufficient independence as well as to co-ordinate and complete significant elements of the internal validation of the Internal Model)

The Insurance and Reinsurance Actuarial Teams are each headed by the Group Chief Actuary ("**GCA**") and both teams cover pricing and reserving for the respective segment. The independent Actuarial Team is headed by the Group Chief Risk Officer and the role of the team is to assess the work of the pricing and reserving teams and ensure sufficient independence as well as to co-ordinate and complete significant elements of internal validation of the Economic Capital Model.

There are three Reserve Committees, one for each of the insurance and reinsurance segments and a "core" committee (the "**Core Reserve Committee**") that makes final reserving recommendations. The Core Reserve Committee currently consists of the Group Chief Actuary (the Chair), the Group Chief Financial Officer, the Group Head of Capital Management, the Group Chief Accounting Officer, the Chief Underwriting Officer of Aspen Re, the President and Chief Underwriting Officer of Aspen Insurance and the Executive Vice President of Global Business Performance and Strategy of Aspen Insurance. Senior members of the insurance and reinsurance segment underwriting and claims staff comprise the remaining members of each of the insurance and reinsurance reserve committees, respectively. A wrap-up meeting is held every quarter to confirm the reserves to be booked on a U.S. and U.K. GAAP basis which is attended by the Core Reserve Committee.

Management, through its Reserve Committees, reviews the actuarial stochastic distribution and any other evidence before selecting its management best estimate of reserves for each line of business. Management selects the "management best estimate" by considering all the information provided to them by the Actuarial Reserving teams and by considering the risks and uncertainties within the actuarial mean best estimate. Management has to date selected its best estimate above that of the actuarial central estimate. This provides the basis for the recommendation to the Audit Committee and the Board made by management regarding the reserve amounts and related disclosures to be recorded in our financial statements.

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; and
- in the case of the independent Actuarial Team, ensuring actuarial pricing and reserving standards are maintained 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);
- Insurance and Reinsurance Reserve Committees;
- 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:

- the 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 internal review meetings with the relevant underwriters, claims and finance staff on an ad hoc basis. More formally, representatives of both the Insurance and the Reinsurance Reserving Teams attend the Insurance and Reinsurance Reserve Committee meetings.

The level of reserves selected by management for each reserving class is finalized by the Core Reserve Committee, following the meetings with underwriters, claims and finance and also the Insurance and Reinsurance Reserve Committee meetings, as part of a formal sign-off process. The management best estimates 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 estimates, 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.

The independent Actuarial Team is available to undertake reviews of any part of Aspen's business as requested, such as by the Chair of the Reserve Committee.

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 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.

The table below illustrates the various outsource providers for critical or important activities and the jurisdiction for which the service is provided:

Outsourced Function	Provider	Nature of Service	Jurisdiction
Underwriting Operations	Xchanging Ins-sure Services ("**XIS**")	London Premium Processing & Settlement Bureau; Access to Insurance Market Repository.	U.K.
Claims Handling	Xchanging Claims Services ("**XCS**")	Lloyd's Claims Handling (Note: Legacy only supported by XCS) and Volumetrix.	U.K.
IT	NIIT	IT Support & Development including for Subscribe Policy Administration system, Acumen, & Coda.	U.K., U.S. & Bermuda
Investment Accounting	BlackRock Accounting	Investment accounting and reporting.	U.K., U.S. & Bermuda
Business Process Outsourcing	Genpact	A range of operational business processes.	U.K., U.S. & Bermuda
IT	Cognizant	A range of information technology services to enable Aspen to deliver greater operating effectiveness and efficiencies.	U.K., U.S. & Bermuda

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

There is no other material information to report.

3 Risk Profile

3.1 Insurance Risk

3.1.1 Description

Insurance risk is defined as the risk that underwriting results vary from their expected amounts, including the risk that reserves established in respect of prior periods are understated. Insurance risk includes the following:

1. Underwriting risk: The variation of accident year technical result from its expected value. Underwriting risk can be further split into sub-categories including:
   - Catastrophe accumulation risk: The risk that losses from natural catastrophes exceed expected levels.
   - Pricing calibration risk: The risk that actual technical results differ from expected values as a result of invalid assumptions, methodology or parameters used in the pricing process.
   - Large claims risk: The risk that losses from a single man-made event, or group of related events, exceed the expected levels.
   - Attritional risk: The risk that the total of all losses other than catastrophe and large losses exceeds the expected level.
   - Reinsurance mitigation risk: The risk that gross losses are not reduced by reinsurance recoveries to the extent expected.
2. Reserving risk: The variation in policyholder reserves for prior accident years.

3.1.2 Measurement and Mitigation

Aspen models its exposure to underwriting and reserving risks 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. Modelling of insurance risk exposure is the key process for monitoring and managing insurance risk.

The Reserving Policy and Group Underwriting Risk Policy evidence how Aspen manages the risk of loss or of adverse change in the values of insurance and reinsurance liabilities, resulting from inadequate pricing and provisioning assumptions.

The Underwriting Risk Policy requires and defines the use of Aspen Underwriting Principles ("**AUPs**") for each underwriting team, and similarly the Group Pricing Standard establishes the requirements that must be addressed by the Pricing Policy Document ("**PPD**") for each portfolio. AUPs set out a series of key principles translated into specific guidelines, requirements, processes and management controls, the compliance of which is mandatory for all Underwriters. The PPDs set out a series of standards and principles to apply to all business underwritten.

The Group Claims Risk Policy sets out the core risk management requirements for the Claims process.

The Reinsurance Mitigation Policy defines Aspen's approach to managing the risk that gross losses are not reduced by reinsurance recoveries to the extent expected. The Insurance Accumulation Risk Policy defines Aspen's approach to management of material risk correlations by categorizing those risks, setting tolerances and limits, measuring, monitoring, reporting and escalating natural catastrophe and non-natural catastrophe accumulations.

Aspen mitigates these risks by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposures, so they are managed within Key Risk Limits.

3.1.3 Material Risk Concentrations

Aspen and Aspen Bermuda have limited their exposure to material risk concentrations by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements to limit exposures so they are managed within Key Risk Limits.

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

The effectiveness of these risk mitigation techniques is assessed through continual monitoring of the underlying risk profile and escalation of deviations from plan.

3.2 Market Risk

3.2.1 Description

Market risk is defined as the risk of variation in the income generated by, and the fair value of, Aspen's investment portfolio, cash and cash equivalents and derivative contracts including the effect of changes in foreign currency exchange rates.

Market risk includes the following:

1. Currency risk: The risk of adverse variation in the US dollar value of net assets in foreign currencies as a result of currency rate movements.
2. Fixed income security risk: The risk of variation in the market value of fixed income securities or their derivatives.

   Fixed income security risk can be further split into sub-categories including:
   a. Interest rate risk: The risk of variation in the market value of fixed income securities as a result of changes in prevailing interest rates. Aspen classifies reinvestment risk as – the risk of lower yields on the reinvestment of the proceeds from coupons payments, maturities and prepayments – which is a sub-category of interest rate risk.
   b. Spread risk (including default risk): The risk of variation in the market value of fixed income securities as a result of changes in the compensation required by the market for the credit risk of non-US government issuers, including the risk of default.
3. Equity risk: The risk of adverse movements in the market price of investments (or their derivatives) other than fixed income securities.
4. Market risk mitigation risk: The risk of variation in the value or effectiveness of hedging positions.
5. Asset concentration risk: The risk of correlated adverse variation in the market value of a sub-set of assets with linked risk exposures.
6. Valuation risk: The risk that the approaches used to value "private assets", for which there are no readily available market prices, result in incorrect values.

3.2.2 Measurement and Mitigation

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. Modelling market risk exposures is a key process for monitoring and managing market risk.

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.

Use of derivatives is limited to interest rate swaps, forward rate transactions, bond options, interest rate futures, foreign exchange spot and forward transactions and currency options. As at December 31 2019, Aspen and Aspen Bermuda had exposure to interest rate swaps and had entered into foreign exchange forward transactions to match liabilities. Neither Aspen nor Aspen Bermuda had significant off balance sheet exposures.

In January 2019, Aspen entered into Interest Rate Swaps. These were placed to protect the capital position of both the Aspen Group and Aspen Bermuda balance sheets from rising interest rates ahead of deploying the SAA. The size of the swap positions was reduced as the SAA was deployed. Refer to Section 1.7.1 for further details.

The Asset and Liability Management Policy defines Aspen's approach to duration and currency matching. Management monitors the value, currency and duration of cash and investments held by Aspen to ensure that it is able to meet the insurance and other liabilities as they become due. The following components of both cash matching and duration matching are employed to manage the investment portfolio:

- the average duration of liabilities;
- the outlook for interest rates and the yield curve;
- the need for cash to pay claims; and
- total return.

3.2.3 Material Risk Concentrations

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.

Key Risk Limits regarding asset allocation and credit quality of Aspen's investment portfolio are defined by management and approved by the Group and Operating Subsidiary Boards.

In order that Operating Subsidiaries can manage the currency risk mismatch Risk Limits within the regulatory parameters required for each Operating Subsidiary, a Key Risk Limit may be approved by the applicable Board which limits the mismatch between assets and liabilities where there are material positions in currencies other than the Operating Subsidiary's functional currency (i.e. U.S. Dollars).

The Key Risk Limits are monitored and reported in the CRO report to the Risk Committee.

The effectiveness of risk mitigation techniques is assessed through continual monitoring of the underlying risk profile and escalation of any deviations from plan.

3.3 Credit Risk

3.3.1 Description

Credit risk is the risk of loss to Aspen if the counterparty to a financial instrument or reinsurance agreement fails to meet its contractual obligations. Aspen is also exposed to credit risk through its investment holdings (cash, equities and fixed income securities). Aspen treats credit risk relating to its fixed income security investments as part of market risk. This is because as part of spread risk Aspen includes the risk that a security falls in value as a result of being downgraded by a rating agency as this will also cause the spread to increase. Aspen includes the risk of actual default on interest payments or redemption proceeds as a special case of spread risk. Whilst this default risk is actually a type of credit risk, it is convenient to deal with it within market risk because of the way Aspen models it in the Internal Model as an extreme case of downgrade risk.

Aspen is also exposed to credit risk through the diminution in the value of insurance receivables as a result of counterparty default. This principally comprises default and concentration risks relating to amounts receivable from intermediaries, policyholders and reinsurers. The credit risk in relation to reinsurers covers both its reinsurers' shares of insurance liabilities and amounts due from reinsurers in respect of claims already paid. Reinsurance and retrocession does not isolate Aspen from its obligations to policyholders. In the event that a reinsurer or retrocessionaire fails to meet its obligation, Aspen's obligations remain.

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. Modelling of credit risk exposures is the key process for monitoring and managing credit risk. In addition, the Group Insurance Credit Risk Policy defines the processes for assessing, monitoring and managing credit exposure to intermediaries, policyholders and reinsurance counterparties.

The processes for addressing credit risk in relation to financial Instruments is described above in Section 3.2 "Market Risk".

3.3.3 Material Risk Concentrations

Aspen limits its exposure to material risk concentrations through the use of Key Risk Limits. Aspen is potentially exposed to concentrations of credit risk in respect of amounts recoverable from reinsurers, and insurance and reinsurance balances owed by the brokers with whom it transacts business. Aspen manages the levels of credit risk by placing limits on its exposure to a single counterparty, or groups of counterparty. Such risks are subject to regular review. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. Aspen has Risk Limits for the amount of exposure to both third party and intragroup related reinsurers and any breaches of those limits are reported to the Risk Committee and Board.

The effectiveness of these risk mitigation techniques is assessed through continual monitoring of the underlying risk profile.

3.4 Liquidity Risk

3.4.1 Description

Liquidity risk is defined as the risk 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.

Liquidity risk includes the following:

1. Payment default risk: The risk that there is insufficient cash to make payments when due and that no additional cash can be made available by borrowing, sale of assets or raising capital.
2. Risk of unplanned asset realization losses: The risk that securities are required to be sold at a loss to meet liquidity requirements.
3. Risk of failure of credit facility: The risk that advances from the credit facility are unavailable.
4. Group liquidity risk: The risk that liquidity cannot be secured for a Group company from elsewhere in the Group.
5. Collateral risk: The risk that Aspen is unable to provide collateral to a third party when contractually required to do so.

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.

Instead, Aspen's annual SST process is used to determine the basis of the key liquidity risk limit. The Liquidity Risk Policy provides further details of how liquidity risks are identified, monitored, managed and modelled, including the escalation process for a breach of the minimum free funds limit.

3.4.3 Material Risk Concentrations

Aspen limits its exposure to material risk concentrations through the operation of the Liquidity Risk Policy. This policy highlights the measures that Aspen has put in place in order to maintain an agreed amount of unencumbered assets in cash and cash equivalents. These measures include concentration limits to ensure the diversification and liquidity of assets, and a liquidity contingency funding plan.

Liquidity stress testing is carried out against the Group's risk profiles at least annually by the Risk Management department as part of the SST program. This allows management to identify the potential strains on Aspen's liquidity as a result of the scenarios assessed and gain an understanding of the Group's ability to support the liquidity needs of entities, such as Aspen Bermuda, as the need arises. Cash-flow forecasting is also used to manage liquidity risk.

The effectiveness of these risk mitigation techniques is assessed through continual monitoring of the underlying risk profile.

3.5 Operational Risk

3.5.1 Description

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, personnel or systems, or from external events.

3.5.2 Measurement and Mitigation

The Operational Risk Policy articulates the management of operational risk encompassing the processes for identification, assessment, mitigation and communication.

The Risk Universe categorizes operational risk as a ‘non-core’ risk, and as such Aspen’s appetite for operational risk is severely limited. Where considered material, Aspen seeks to minimize it through control or avoidance where possible.

This is primarily achieved through a collaborative approach to managing operational risks between the first and second lines of defense which combines:

- initial identification and internal challenge of key operational risks by the Risk Management department;
- discussion and approval with executive risk owners and ratification of these with the Risk Committee and Board;
- regular review of the operational risks with executive risk owners and the day to day control owners in the business; and
- process for identifying emerging operational risk

Key control gaps and control failures are reported through the quarterly CRO report.

The effectiveness of these risk mitigation techniques is assessed through continual monitoring of the underlying risk profile.

3.6 Other material risks - Emerging Risk

Other material risks are identified via the emerging risk process. Emerging risk is defined as the risk that events or issues not previously identified or fully understood impacts the operations or financial results of Aspen as defined in the Strategic and Emerging Risk Policy.

An Emerging Risk Forum occurs twice a year to identify and assess emerging risk topics. The Forum operates in co-operation with the Risk Management Team, Subject Matter Experts across the Aspen Group, external expert organizations / individuals and Senior Management via Group and Entity CROs.

3.7 Other material risks – Strategic Risk

The risk of adverse impact on income and capital of adverse business decisions, poor execution or failure to respond to market changes.

Strategic risk includes the following:

1. Communication risk: the risk that the Group fails to define, maintain or communicate its strategy and, as a result, cannot take advantage of strategic opportunities.
2. Capital Planning risk: the risk that the company at either Group or Entity level has insufficient capital at the right time to take advantage of strategic opportunities.
3. Reputational risk: the risk that adverse events or circumstances negatively affect the reputation of the Group with its policyholders, rating agencies, regulators or other significant stakeholders.

3.8 Other material risks – Group Risk

The risk that events or circumstances affecting one or more other companies in the Aspen Group threaten the solvency, liquidity or reputation of the Company.

3.9 Other material risks – Regulatory Risk

The risk of non-compliance with regulatory requirements, including ensuring Aspen understands and complies with changes to those requirements, is managed as an operational risk. There is a residual risk that changes in regulation impact Aspen's ability to operate profitably in some jurisdictions or some lines of business.

3.10 Other material risks – Taxation Risk

The risk that Aspen does not understand, plan for and manage Aspen's tax obligations is addressed as an operational risk. There is a residual risk that changes in taxation impacts Aspen's ability to operate profitably in some jurisdictions or some lines of business.

3.11 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.

3.12 Stress Testing and Sensitivity Analysis

3.12.1 Stress Testing

Each year a Group-wide Stress and Scenario Testing ("**SST**") and Reverse Stress Testing ("**RST**") exercise is conducted to assess the impact of stressed scenarios on Aspen and each Operating Subsidiary, including Aspen Bermuda.

Aspen uses both stochastic and deterministic stress loss estimates for the purposes of SST. A range of scenarios with different levels of severity are used to test the Group's and Entities' resilience to underwriting, reserving, market, credit, liquidity, and other risks (e.g. operational, Group, reputational, regulatory and taxation risks).

Risk Management have primary responsibility for the SST program, however seeks inputs from other parts of the company (e.g. underwriters and Group Investments) as required, incorporates feedback from stakeholders, and interacts with Group and Entity Risk Committees and Boards. As part of the process, scenarios are reviewed and proposed with Operating Subsidiary CROs ensuring that the scenarios are defined considering stresses relevant to each Operating Subsidiary.

SST scenarios typically include:

- natural catastrophe events;
- terrorism events;
- man-made disasters;
- economic and political events; and
- reserve deterioration.

Aspen considers severe natural catastrophe events to be the greatest threat to the financial viability of the Group. Economic and political risk scenarios could also cause substantial losses but the impacts would be spread over multiple Reporting Periods.

The latest internal SST process did not identify scenarios that would cause breaches of the regulatory capital requirements for the Group or Aspen Bermuda (for the latter after taking into account contingency levers to improve the capital position following a large loss).

3.13 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	Investments comprise fixed income securities, short-term investments, catastrophe bonds, privately-held investments, and other investments. They are reported at estimated fair value in accordance with U.S. GAAP. 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. 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. Catastrophe bonds are classified as trading and are fair valued based on independent broker-dealer quotes. 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. The only adjustments made to the U.S. GAAP valuation for Aspen and Aspen Bermuda in respect of the investment portfolios is the reallocation of accrued interest from other debtors. Other investments relate to: i. four investments accounted for using the equity method of accounting which approximates fair value and ii. an investment in a real estate fund accounted for using the net asset value which approximates fair value, therefore no adjustments are required for EBS purposes.
Cash and Cash Equivalents ("**Cash & CE**")	Cash & CE comprise 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 debtors.

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 the asset side of the balance sheet and replaced by the Premium Provision (refer to Section 4.2).
Accounts Receivable, Premiums Receivable, Funds withheld, Receivables for securities sold, and Tax receivables	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. 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 Accounts Receivable to the relevant asset category within Investments or Cash and Cash Equivalents. Under EBS valuation, a significant amount of 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.
Amounts Due from Related Party	For Aspen Bermuda Amounts Due from Related Party is adjusted to fair value one of the intercompany reinsurance contracts in accordance with the EBS framework.
Deferred policy acquisition costs ("**DAC**")	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	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. ROU lease assets are recorded at cost and amortised over their lease period. ROU lease liabilities are initially valued as the present value of all future cashflows and a financing charge is applied over the lease period. No adjustment is required for EBS reporting.
Deferred taxation	Aspen's U.S. GAAP deferred tax asset 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 the EBS, intangible assets are valued at their readily realisable 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	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. When considering which cashflows 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 recognising legally obliged reinsurance contracts.
Remove GAAP Reserve Margin	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. 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, 2019 as filed with the U.S. Securities and Exchange Commission.
Future Premium cash flows on UPR and BBNI business	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 recognised 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 recognised on inception and results in the inclusion of bound but not incepted business ("**BBNI**"). The same principle is applied for outwards reinsurance – with reinsurance creditors payable with a due date post the balance sheet date recognised 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.
Future Loss Provision on UPR and BBNI	Future losses are accounted for on a best estimate basis. In order to do so, planned gross loss ratios are applied to gross unearned and BBNI policies to calculate gross expected losses. Reinsurance recoveries are calculated on a similar basis.

Events not in Data ("**ENID**")	EBS best estimates should make an allowance for all possible events, including very extreme high severity, low probability claims. 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.
Expense Provision	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. 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. EBS guidance details the following examples of expenses that will be incurred servicing all obligations from existing insurance and reinsurance contracts: • Administrative expenses; • Investment management expenses; • Claims management expenses / handling expenses; • Acquisition costs; and • Overhead costs associated with the above. 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.
Counterparty Default	EBS requires inclusion of a provision for non-receipt of reinsurance recoveries whether caused by default or dispute. 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. 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. 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.
Discounting	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.

	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. 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. 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.
Risk Margin	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. A 6% cost of capital is prescribed by the BMA.

As at December 31, 2019 the total Technical Provisions amounted to $4,692.0 million (2018 - $4,501.9 million) for Aspen and $2,627.3 million (2018 - $2,936.6 million) for Aspen Bermuda as illustrated in the table below:

	Aspen EBS $'m		**Aspen Bermuda EBS $'m**	
	2019	**2018**	**2019**	**2018**
Best Estimate Loss and Loss Expense Provision	3,982.5	3,888.0	2,383.0	2,632.3
Best Estimate Premium Provision	371.4	244.8	28.5	106.5
Risk Margin	338.1	369.1	215.8	197.8
Total	**4,692.0**	**4,501.9**	**2,627.3**	**2,936.6**

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 cashflow 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, 2019, the value of recoverables from reinsurance contracts and special purpose vehicles ("**SPIs**") within the EBS Technical Provisions is $2,106.3 million (2018: $1,869.3 million) in relation to Aspen and $377.5 million (2018: $414.9 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. There are no material reinsurance recoverable balances due from reinsurers with a rating lower than those described above.

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 balances payable, Accrued expenses, and Other payables	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, 2019 and December 31, 2018 the categorization of the Statutory Economic Capital and Surplus for Aspen and Aspen Bermuda was as follows:

	Aspen EBS $'m		**Aspen Bermuda EBS $'m**	
	2019	**2018**	**2019**	**2018**
Tier 1 Capital	2,004.1	2,076.6	1,061.7	1,294.4
Tier 2 Capital	675.0	605.7	185.3	241.0
Tier 3 Capital	285.0	-	-	-
Total Eligible Capital	**2,964.1**	**2,682.3**	**1,247.0**	**1,535.4**

As at December 31, 2019, 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, 2018, Tier 1 Eligible Capital for Aspen consisted of capital stock, contributed surplus, statutory surplus, perpetual preferred shares and minority interest. Tier 2 Eligible Capital consisted of the excess of encumbered assets over related policyholder obligations.

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, 2019 and December 31, 2018, Eligible Capital for Aspen Bermuda was primarily categorized as Tier 1, consisting of capital stock, contributed surplus and statutory surplus, with a small reclassification to Tier 2 in relation to the excess of encumbered assets over 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, 2019 and December 31, 2018 for Aspen and Aspen Bermuda was categorized as follows:

	MSM $m		ECR $m	
	2019	**2018**	**2019**	**2018**
Aspen				
Tier 1	2,004.1	2,076.6	2,004.1	2,076.6
Tier 2	501.0	519.2	675.0	605.7
Tier 3	-	-	285.0	-
Total	**2,505.1**	**2,595.8**	**2,964.1**	**2,682.3**
Aspen Bermuda				
Tier 1	1,061.7	1,294.4	1,061.7	1,294.4
Tier 2	185.3	241.0	185.3	241.0
Tier 3	-	-	-	-
Total	**1,247.0**	**1,535.4**	**1,247.0**	**1,535.4**

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.

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

In line with the approval received from the BMA in June 2019, Aspen recognizes $285m of the 2023 Senior Notes as Tier 3 ancillary capital.

None is applicable for Aspen Bermuda.

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, 2019, calculated by the Bermuda Solvency Capital Requirement ("**BSCR**") Model, were as follows:

For the Year Ended December 31, 2019	Aspen $m	Aspen Bermuda $m
Minimum Margin of Solvency	916.7	386.4
Enhanced Capital Requirement	1,456.8	788.5
BSCR MSM Ratio	273%	323%
BSCR ECR Ratio	203%	158%

The ECR and MSM for Aspen and Aspen Bermuda for the year ended December 31, 2018, calculated by the Bermuda Solvency Capital Requirement ("**BSCR**") Model, were as follows:

For the Year Ended December 31, 2018	Aspen $m	Aspen Bermuda $m
Minimum Margin of Solvency	946.5	438.4
Enhanced Capital Requirement	1,231.8	782.8
BSCR MSM Ratio	274%	350%
BSCR ECR Ratio	218%	196%

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 Event

Reinsurance Agreement. On March 2, 2020, the Company entered into an adverse development reinsurance agreement with a wholly-owned subsidiary of Enstar Group Limited. Under this agreement, the Company will cede to the wholly-owned subsidiary of Enstar Group Limited, losses incurred on or prior to December 31, 2019, in excess of $3.805 billion, up to an aggregate limit of $4.575 billion (coverage of $770.0 million). The reinsurance agreement also provides for $250.0 million of cover in excess of $4.815 billion. The consideration for this agreement is $770.0 million plus interest at 3.75% per annum, compounding daily, from the effective date January 1, 2020 to the closing date on June 1, 2020.

COVID-19. We continue to closely monitor developments related to the outbreak of COVID-19, also known as coronavirus, to assess any potential impact on our business. Like many property and casualty (re)insurers, we have possible exposure to the contingency market and cancellation losses stemming from the COVID-19 outbreak and could also face COVID-19 related claims from credit and surety lines and potential exposure from business interruption. Whether the virus could trigger coverage is dependent on specific policy language, terms and exclusions. There is a risk, however, that legislative, regulatory, judicial or social influences may extend coverage beyond our intended contractual obligations or result in an increase in the frequency or severity of claims beyond expected levels. The volatility in the financial markets resulting from the outbreak may also impact our investment portfolio. Our investment portfolio comprises primarily government and other fixed income securities and we are not significantly exposed to equity markets. However, our corporate bond portfolio could be subject to default risk in the event of extended disruption to trade, and our strategic asset allocation includes middle market loans, commercial and other mortgage loan arrangements which may be adversely affected by the outbreak. In addition, existing and potential future travel bans, preventative or government mandated closures of our offices or the offices of our outsource providers may affect our ability to conduct our business. A prolonged period of commercial disruption, reduced economic activity and other consequences of the outbreak could have a material impact on our results of operations, financial condition or liquidity. Because this is an evolving and highly uncertain situation it is not possible to provide an estimate of potential insurance, reinsurance or investment exposure or any other indirect effects the outbreak may have on our results of operations, financial condition or liquidity.

Recent Changes to Ratings. On March 26, 2020, S&P downgraded the financial strength and issuer credit ratings of Aspen Bermuda and Aspen U.K. to “A-” (Strong) from “A” (Strong). The long term issuer credit rating of Aspen Holdings was downgraded to “BBB” from “BBB+”. The outlook assigned to all these ratings is stable. Our U.S. Operating subsidiaries, AAIC and Aspen Specialty, are not currently rated by S&P and have a financial strength rating of “A” (Excellent) by A.M. Best with a negative outlook. On April 1, 2020 A.M. Best affirmed the financial strength rating of “A” (Excellent) for Aspen Bermuda, Aspen U.K. Aspen Specialty and AAIC but revised its outlook to negative from stable. Our Lloyd’s operations benefit from the Lloyd’s market financial strength rating of “A” (Excellent) with a stable outlook by A.M. Best and “A+” (Strong) with a stable outlook by S&P.

Although the Company is still assessing the impact of this recent downgrade by S&P, we do not believe that this change in rating will significantly impact where the Company conducts its business operations. However, the downgrade may impair our ability to sell insurance policies and could materially and adversely affect our competitive position in the insurance industry, future financial condition and operating results.

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: June 26, 2020

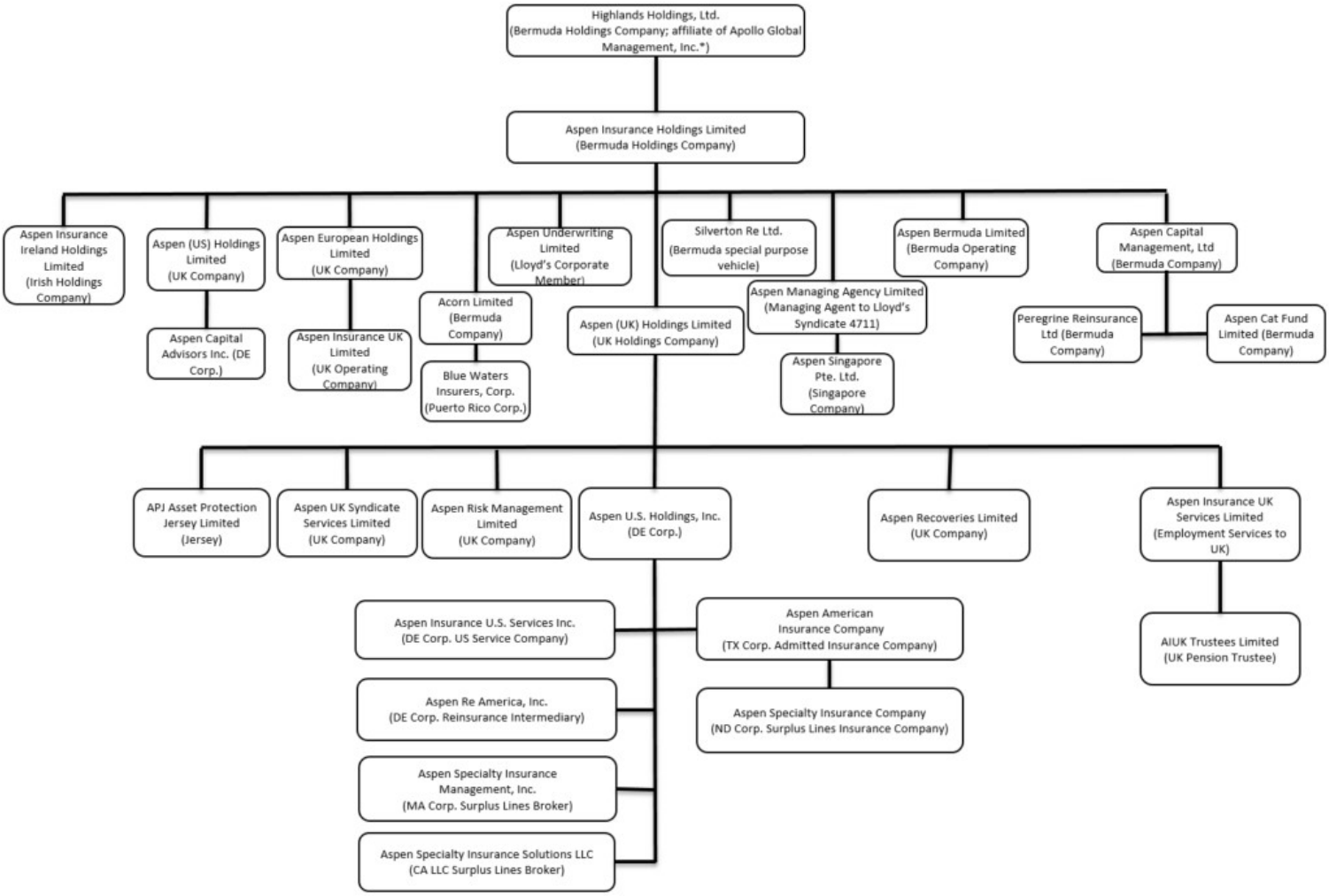
Mark Cloutier
Chief Executive Officer
Aspen Insurance Holdings Limited

Signed: /s/ Crystal Ottaviano Date: June 26, 2020

Crystal Ottaviano
Chief Risk Officer
Aspen Insurance Holdings Limited

Appendix 1

As at June 29, 2020:



*All of the ordinary shares of Highlands Holdings, 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").