Ascot Reinsurance Company Limited

Financial Condition Report "FCR"

For the year ended December 31, 2018

Prepared in accordance with the reporting requirements of the Bermuda Monetary Authority

Contents

Summary

This document represents the Financial Condition Report ("FCR") that is required to be published by Ascot Reinsurance Company Limited ("Ascot Re" or "ARCL" or "the Company").

Ascot Reinsurance Company Limited was incorporated in Bermuda on September 8, 2016. Ascot Re was registered by the Bermuda Monetary Authority on November 20, 2017 as a Class 3B (re)insurance company and received an A rating from A.M. Best on November 27, 2017. The Company commenced writing third party reinsurance contracts in 2018, and also, effective January 1, 2018, commenced writing quota share reinsurance to Syndicate 1414 ("the Syndicate") and Ascot Corporate Name Limited ("ACNL"). Both the Syndicate and ACNL are affiliated companies.

This report covers the Business and Performance of Ascot Re, its Governance Structure, Risk Profile, Solvency Valuation, Capital Management and Subsequent Events.

This FCR reflects the first underwriting year of Ascot Re. All policies, procedures, structures and frameworks outlined in this document have been implemented as of April 30, 2019, and will continue to refined and developed over time as the Company evolves.

1 Business and Performance

Name of Insurer

Ascot Reinsurance Company Limited

Supervisors

Insurance Supervisor
Bermuda Monetary Authority
BMA House
43 Victoria Street, Hamilton
Bermuda

Approved Auditor

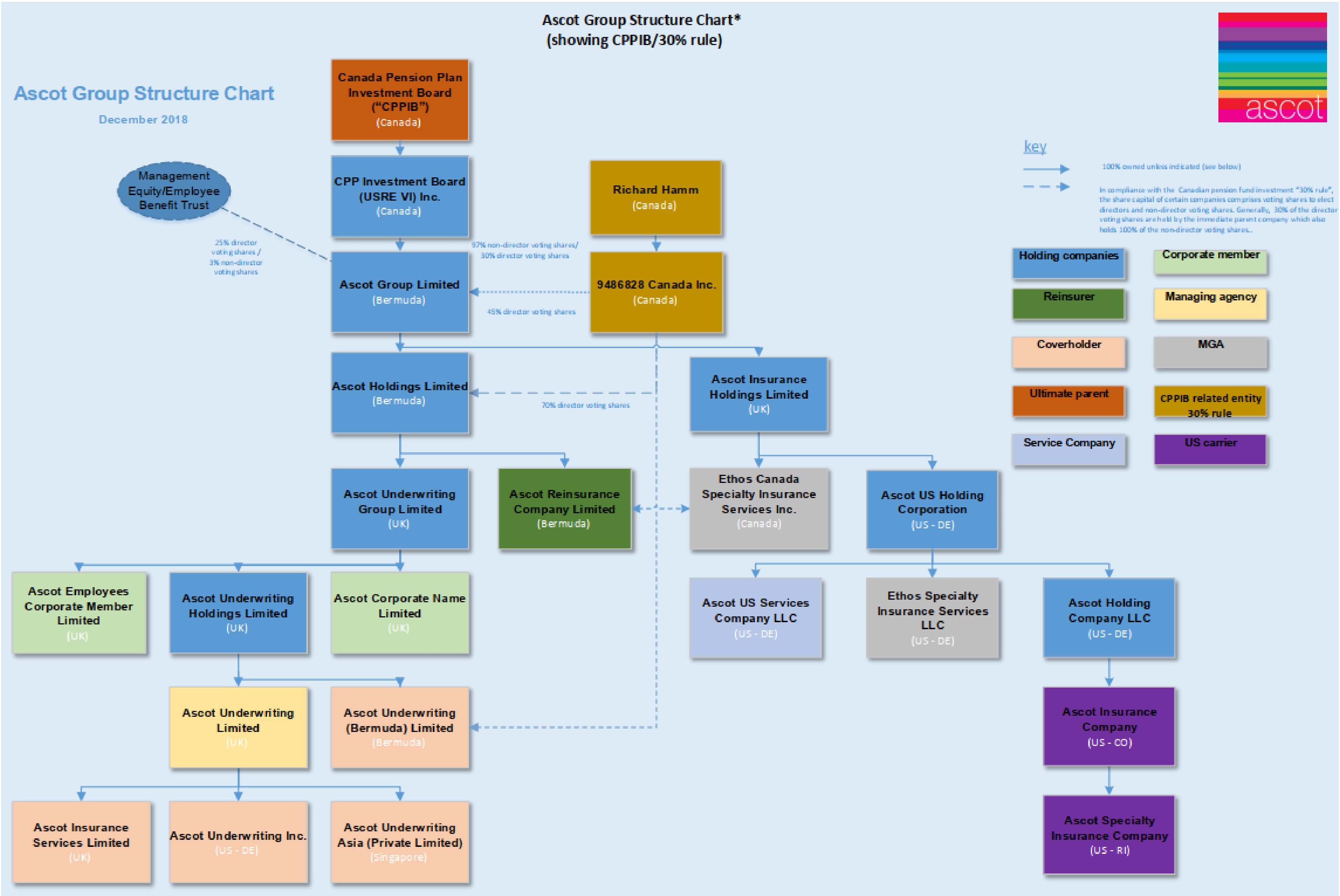
Statutory and GAAP Reporting
Deloitte Ltd.
Corner House
20 Parliament Street
P.O. Box HM 1556
Hamilton HM FX
Bermuda

Ownership Details

As at December 31, 2018, Ascot Re is a wholly owned subsidiary of Ascot Holdings Limited and an indirect subsidiary of Ascot Group Limited ("Ascot Group" or "AGL"). Ascot Group's principle shareholder is CPP Investment Board (US Re VI) Inc.

Group Structure

Refer to the Ascot Group structure chart on the following page.


Ascot Group Structure Chart*
(showing CPPIB/30% rule)
Ascot Group Structure Chart
December 2018
ascot
Canada Pension Plan Investment Board ("CPPIB") (Canada)
CPP Investment Board (USRE VI) Inc. (Canada)
Management Equity/Employee Benefit Trust
25% director voting shares / 3% non-director voting shares
Richard Hamm (Canada)
97% non-director voting shares/ 30% director voting shares
Ascot Group Limited (Bermuda)
9486828 Canada Inc. (Canada)
45% director voting shares
Ascot Holdings Limited (Bermuda)
70% director voting shares
Ascot Insurance Holdings Limited (UK)
Ascot Underwriting Group Limited (UK)
Ascot Reinsurance Company Limited (Bermuda)
Ethos Canada Specialty Insurance Services Inc. (Canada)
Ascot US Holding Corporation (US - DE)
Ascot Employees Corporate Member Limited (UK)
Ascot Underwriting Holdings Limited (UK)
Ascot Corporate Name Limited (UK)
Ascot US Services Company LLC (US - DE)
Ethos Specialty Insurance Services LLC (US - DE)
Ascot Holding Company LLC (US - DE)
Ascot Underwriting Limited (UK)
Ascot Underwriting (Bermuda) Limited (Bermuda)
Ascot Insurance Company (US - CO)
Ascot Insurance Services Limited (UK)
Ascot Underwriting Inc. (US - DE)
Ascot Underwriting Asia (Private Limited) (Singapore)
Ascot Specialty Insurance Company (US - RI)
key
100% owned unless indicated (see below)
In compliance with the Canadian pension fund investment "30% rule", the share capital of certain companies comprises voting shares to elect directors and non-director voting shares. Generally, 30% of the director voting shares are held by the immediate parent company which also holds 100% of the non-director voting shares..
Holding companies
Corporate member
Reinsurer
Managing agency
Coverholder
MGA
Ultimate parent
CPPIB related entity 30% rule
Service Company
US carrier

Reinsurance Business Written by Class of Business and Geographical Region

Ascot Re primarily offers property and casualty reinsurance coverage in North America and Europe. This includes Property Catastrophe, Property, Marine & Energy, Casualty, Specialty, Personal Accident and Credit/Surety classes of business.

Gross premiums by class of business for the years ended December 31, 2018, and 2017:

$000	**For the year ended December 31, 2018**	**For the period ended December 31, 2017**
Property Catastrophe	94,908	0
Property	87,129	0
Marine & Energy	106,407	0
Casualty	84,565	0
Specialty	14,481	0
Personal Accident	21,498	0
Credit / Surety	10,066	0
Total	**419,054**	**0**

Source: BSCR Schedule IVA (EBS)

Gross premiums written by geographic area for the years ended December 31, 2018 and 2017:

$000	**For the year ended December 31, 2018**	**For the period ended December 31, 2017**
North America	255,255	0
Europe	102,515	0
Asia	47,326	0
Rest of World	13,958	0
Total	**419,054**	**0**

Source: Schedule IVC (EBS)

Investment Performance

The Company invests in high quality fixed income securities, highly liquid short term investments and cash and cash equivalents, which are managed in accordance with the Group's Investment Policy Statement. The average asset quality of the Company's investment portfolio is A+, and the average duration of the investment portfolio is 2.2 years.

The market value of investments and performance of our investment portfolio for the years ended December 31, 2018 and 2017 are outlined in the following table. Investment performance is calculated as the net investment income divided by the closing fair market value of the portfolio.

For the year ended December 31, 2018	Investment Income $000	Market Value $000	Performance %
Fixed maturity securities	32,747	961,032	3.4%
Cash and cash equivalents and short term investments	3,594	357,214	1.0%
Total gross investment income	36,341	1,318,246	2.8%
Investment expenses	(1,115_	-	-
Net investment income	**35,226**	**1,318,246**	**2.7%**

Source: US GAAP Financial Statements (except performance percentages for which the calculation basis is stated above).

For the period ended December 31, 2017	Investment Income $000	Market Value $000	Performance %*
Fixed maturity securities	231	532,737	0.5%
Cash and cash equivalents and short term investments	1,240	956,118	1.6%
Total gross investment income	1,471	1,488,855	1.2%
Investment expenses	-	-	-
Net investment income	**1,471**	**1,488,855**	**1.2%**

Source: US GAAP Financial Statements (except performance percentages for which the calculation basis is stated above).

**2017 performance figures adjusted to annualize investment income, assets were invested by the Company from November 20, 2017, the date of registration of Ascot Re.*

Material Income and Expense for the Reporting Period

Material income for the Company includes premium income generated from the underwriting and investment activities of Ascot Re, outlined in the above Underwriting and Investment Performance sections of this report. Material expenses for the Company comprise claims, acquisition costs and operational expenses. Claims activity during 2018 included catastrophe losses attributable to California wildfires and Hurricanes Florence and Michael. Overall, catastrophe claims had a material impact on Ascot Re in 2018, despite this, the Company made a net profit for the year.

The financial results of Ascot Re for the years ended December 31, 2018 and 2017 are shown below:

	2018	2017
	(in thousands)	
REVENUES		
Gross premiums written	$ 425,839	$ —
Reinsurance premiums ceded	(6,785)	—
Net premiums written	419,054	—
Earned premiums	348,913	—
Earned premiums ceded	(5,619)	—
Net premiums earned	343,294	—
Net investment income	35,226	1,471
Net realized and unrealized (losses) gains on investments	(16,935)	367
Other income	8,712	—
Total revenues	370,297	1,838
LOSSES AND EXPENSES		
Net incurred losses and loss adjustment expenses	200,705	—
Acquisition costs	142,861	—
General and administrative expenses	11,255	457
Net foreign exchange losses	719	—
Total losses and expenses	355,540	457
INCOME BEFORE TAXES	**14,757**	**1,381**
Income tax expense	—	—
NET INCOME	**14,757**	**1,381**
Other comprehensive income, net of tax	—	—
COMPREHENSIVE INCOME	**$ 14,757**	**$ 1,381**

Any Other Material Information

None.

2. Governance Structure

Corporate governance refers to the framework established by Ascot Re for the purpose of managing the business of the Company, including but not limited to:

- Determining the strategic direction of the Company
- Setting and maintaining the desired culture of the Company
- Considering and approving business plans
- Managing risks
- Sets the Company's risk appetite
- Monitoring performance
- Oversight of management
- Ensuring Board effectiveness
- Oversight of financial reporting, internal control and risk management
- Protecting the interests of stakeholders (notably: shareholders, clients and employees)
- Meeting legal and regulatory obligations

Accordingly, corporate governance is concerned with the relationship between, and the respective responsibilities of Ascot Re's Board of Directors ("the Board"), Executive Management and its shareholders.

Ascot Re complies with the BMA's Insurance Code of Conduct under Section 4 of the Insurance Act 1978 and the Insurance (Prudential Standards) (Class 4 and Class 3B Solvency Requirement) Rules 2008, as applicable. The Company is guided by the BMA Guidance Note on Corporate Governance March 2005.

Board and Senior Executive

a) Board and Senior Executive Structure, role, responsibilities and segregation of responsibilities

The Ascot Re Board of Directors maintains and exercises ultimate authority over and accountability for the strategic and business decisions of the Company, the risk control framework, business performance, compliance with legal and regulatory obligations.

The Board consists of the Non-Executive Chairman, Group Executives and Non-Executive Directors. The role of the Chairman of Ascot Re is separate from that of the Chief Executive Officer. The composition of Ascot Re's Board reflects the range of skills, knowledge and experience necessary for the Board to be effective. The objective in determining the Board's composition is to ensure an appropriate level of skill and capability that provides both appropriate challenge and guidance to management.

The Board is guided by the Company's Bye-Laws and Board Terms of Reference. The Board generally meets quarterly in Bermuda and operates within the established governance framework. The Board is supplied with appropriate and timely information which enables them to perform their duties.

The Board monitors and oversees the Company's operations, ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems of internal control and for compliance with statutory and regulatory obligations. Accordingly, the Board will organise and direct the affairs of the Company in a manner that seeks to maximise the value of Ascot Re for the benefit of all stakeholders.

While Ascot Re's Board maintains primary oversight of the Company and its operations, the Board delegates day-to-day responsibility to the executive management team and the functional and risk control committees of management with oversight by the Board.

The Directors of the Board act as advisers to the Chief Executive Officer and senior management and oversee management's performance. In performing its general oversight function, the Board:

- Sets the Company's strategy and business plans, taking into consideration the strategy and objectives of the Ascot Group.
- Oversees management's approach to addressing significant risks and challenges facing the business. The Board has ultimate responsibility for setting the risk appetite of the Company and has ultimate ownership of all risks identified within the risk register and should consider these when setting the Company strategy and future business plans;
- Reviews reports regularly submitted by management with respect to business performance including the CISSA, as well as significant events, issues and risks that may affect business or financial performance.

The governance structure described and embedded within the Company is continually reviewed to ensure it continues to meet the needs of the business and the expectations of external parties such as regulators including the BMA, and rating agencies including AM Best.

An independent review of the governance system is performed by Internal Audit. This occurs at two levels; firstly a scheduled specific governance review within a rolling three year program; secondly compliance with the governance system is assessed when reviewing all functional business areas.

Members of the Board of Directors are outlined below:

Name	**Position**
Neill Currie	Chairman of the Board
Andrew Brooks	Non-Executive Director Chief Executive Officer, Ascot Group
John Berger	Executive-Director Chief Executive Officer, Ascot Re
Katherine Chung	Non-Executive Director
Thomas Kalvik	Non-Executive Director
Simon Kimberley	Executive-Director Chief Underwriting Officer, Ascot Re
Joe Roberts	Executive-Director Chief Financial Officer, Ascot Group and Ascot Re
Ian Thompson	Executive-Director Head of Casualty & Specialty, Ascot Re
Greg Wolyniec	Non-Executive-Director President and CEO, Ascot Insurance U.S

Senior Management and Officers of the Company are outlined below:

Name	**Position**

John Berger	Chief Executive Officer
Alexander D'Urso	Chief Risk Officer
Elizabeth Duncan	Financial Controller
Michael Grayston	Treasurer
Simon Kimberley	Chief Underwriting Officer
Joe Roberts	Chief Financial Officer
Ian Thompson	Head of Specialty & Casualty

b) *Remuneration Practices*

The Company's remuneration practices follows those in place for the Ascot Group, which provides executive compensation consisting of the following three elements; basic salaries, annual short-term incentive compensation, and long-term incentive compensation. Employees also receive certain benefits including those pursuant to local statutory requirements and individual employment agreements.

All components are considered in aggregate when evaluating and making decisions with respect to each component. A portion of senior executive compensation is variable and performance-based on both individual and Group performance. The risk implications of incentives created by the Company's remuneration policies are considered as part of the Company's risk management practices.

Basic Salary – Fixed annual cash amount, comprises the base component of total compensation. Established based on role, responsibilities, market conditions. Reviewed annually and revised based on individual and Group performance.

Short-Term Incentive – Variable cash compensation, reflective of annual Group and individual performance. Aligns management and shareholder interests, designed to reward performance consistent with the Company's objectives.

Long-Term Incentive – Equity-based compensation. Includes restricted share incentive plan under which the Group may periodically grant restricted share awards. Designed to incentivize long-term performance, attract talent and promote retention.

Other benefits – Reflective of the location of employees, specific local market practices and benefits. Includes retirement benefits, healthcare, and certain statutory contributions. Consistent with local market practices in order to remain competitive and attract talent.

The Group Remuneration Committee ensures that the necessary and appropriate financial and human resources are in place. The Group human resource department conduct periodic reviews to ensure compensation is appropriate.

Non-Executive Board members receive a flat fee for annual service and reimbursement of certain expenses.

c) Pension or Early Retirement Schemes for Members, Board and Senior Employees

The Company maintains defined contribution plans to provide retirement benefits to eligible employees. Contributions, which are managed externally, are based on eligible compensation. Company contributions are expensed as incurred.

The Company's Non-Executive Directors do not receive pension or retirement benefits.

d) Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executive Material Transactions

During the year ended December 31, 2018 - none.

Fitness and Proprietary Requirements

a) Fit and Proper Process in assessing the Board and Senior Executive

The Company appoints senior executives and members of the Board based on the individual's expertise and experience. All candidates must undergo recruitment and background screening. The Nominations Committee of the Group monitors the composition of the Board, its diversity, skills, expertise, experience, knowledge and independence. An induction process is undertaken for newly appointed Directors, and is an extension of the HR function's regular induction program for employees, with further training given based on individual needs and requirements.

Ascot Re has procedures in place to ensure that all key functions of the business are managed by individuals who are deemed fit and proper to carry out their responsibilities. This involves having measures in place to ensure that relevant individuals have adequate expertise, knowledge and experience for their specific role ('Fit'), and that their reputation and integrity is appropriate ('Proper'). This also establishes the responsibility for maintaining the fit and proper controls and the relevant reporting processes attached to it. The Company's Fit and Proper Policy is included in the Staff Handbook, to which management is bound. Review of the Fitness and Propriety requirements of Ascot Re management is an ongoing process and an integral part of Ascot Re's performance management.

b) Board and Senior Executives Professional Qualifications, Skills and Expertise

Outlined below are the qualifications, skills and expertise of the Company's Board of Directors and senior management.

The Board of Ascot Re is currently comprised of the following members:

Neill Currie – Executive Chairman

Neill is Executive Chairman of Ascot Group and Ascot Re. He co-founded RenaissanceRe Holdings in 1993 and served as its Chief Executive Officer from November 2005 to July 2013. He served as a director of Platinum Underwriters Holdings from 2003 to 2005. Neill began his career as a reinsurance broker in the United States in 1976 and served in various senior capacities as a broker until forming Renaissance Re.

Andrew Brooks – Chief Executive Officer, Ascot Group

Andrew is Chief Executive Officer of Ascot Group and Ascot Underwriting Limited and a member of both Boards. He joined Ascot Underwriting at its inception in 2001 and was promoted to Chief Underwriting Officer in 2005 and Chief Executive Officer in 2008. Andrew was also appointed CEO of the newly formed Ascot Group in 2017. Andrew has worked in the Lloyd's Market since 1983 and is currently a member of the Council of Lloyd's and the Lloyd's Market Association and London Market Group Boards. Andrew is ACII qualified.

John Berger – Chief Executive Officer, Ascot Re

John is Executive Chairman of Ascot's U.S. businesses and CEO of Ascot Re. He joined Ascot in January 2018. Previously he was Chairman and Chief Executive Officer of Third Point Re and has been in the reinsurance business for over 35 years. John began his career at Prudential Reinsurance and also served as Chief Executive Officer of F&G Re, Chubb Re, and Harbor Point Re. John is a member of the Board of Directors of the Reinsurance Association of America.

Katherine Chung – Non-Executive Director

Katherine Chung, Non-Executive Director for Ascot Group, is Senior Principal, Direct Private Equity for Canada Pension Plan Investment Board. Katherine joined CPPIB in 2017 and is responsible for financial services private equity investments in Europe. Prior to joining CPPIB, she was a Principal at Crestview Partners leading and managing investments in insurance, specialty finance and business services. Previously, Katherine was a Principal in Blackstone's private equity group, in both New York and London, and invested across a variety of sectors, with a focus on financial services and has also held positions at Capital Z Partners and Morgan Stanley.

Thomas Kalvik – Non-Executive Director

Tom Kalvik, Non-Executive Director for Ascot Group, is Principal, Private Investments – Direct Private Equity (Financial Institutions Group) for Canada Pension Plan Investment Board. Prior to joining CPPIB, Tom worked at Goldman Sachs in New York in their Merchant Banking Division. Prior to that, he worked in Goldman's Investment Banking Division, where he was a part of their Financial Institutions Group.

Simon Kimberley – Chief Underwriting Officer, Ascot Re

Simon is Chief Underwriting Officer of Ascot Re in Bermuda. He joined Ascot in 2004 and worked in the London office for 10 years before moving to Bermuda in 2014. He began his career in the Lloyds market in 1997, originally as a broker and moved into underwriting in 2001. Simon holds an Advanced Diploma in Insurance.

Joe Roberts – Chief Financial Officer, Ascot Re

Joe is Chief Financial Officer of Ascot Group and Ascot Re, having joined the Group in October 2017. He is responsible for financial matters for the Group. Previously Joe served as Chief Financial Officer for Ironshore Inc. from 2013 to 2017 and Alterra Capital Holdings Limited from 2007 to 2013. He started his career in financial services in 1987. Joe is a Fellow of the Institute of Chartered Accountants in England and Wales.

Ian Thompson, Head of Casualty & Specialty, Ascot Re

Ian is Head of Casualty & Specialty at Ascot Re, based in Bermuda. He began his insurance career in 1995 and joined Ascot in 2017. From 2009 to 2017, Ian was the Head of Casualty & Specialty at Hiscox Re. Ian has over 20 years' insurance experience and began his insurance career as a professional lines broker before moving to underwriting in 1997.

Greg Wolyniec - President & Chief Executive Officer, Ascot Insurance U.S.

Greg is President & CEO of Ascot Insurance U.S. He joined Ascot Group in 2017 as Head of Global Strategy and spearheaded the launch of Ascot Insurance U.S., the admitted and E&S platform of Ascot Group. He was subsequently appointed CEO of the business at launch in 2018. Prior to Ascot, Greg served as CEO of a technology start-up developing wearables and risk management solutions for industrial and construction workers. Throughout his career he has held a number of insurance strategy roles including spending seven years with AIG in corporate and commercial strategy and M&A positions. Greg is a member of Ascot's Group Executive Management Committee and also sits on the Board of Ascot Reinsurance Company.

Corporate non-Director Officers of Ascot Re are outlined below:

Michael Grayston – Treasurer, Ascot Group and Ascot Re

Michael joined Ascot in April 2018 as Group Treasurer. In this role, he is responsible for the treasury functions and activities of the Ascot Group and Ascot Re. Previously, Michael was Treasurer & VP Investments at Ironshore Insurance in Bermuda. Michael is a qualified Chartered Financial Analyst.

Elizabeth Duncan – Financial Controller, Ascot Re

Elizabeth is Financial Controller for Ascot Re in Bermuda. Prior to joining Ascot Re in 2018, Elizabeth was VP Corporate Finance at Enstar Group Limited between 2014 and 2018, after starting her career in financial services with KPMG in 2007. Elizabeth is a Member of the Institute of Chartered Accountants Australia and New Zealand.

Alexander D'Urso – Chief Risk Officer, Ascot Re

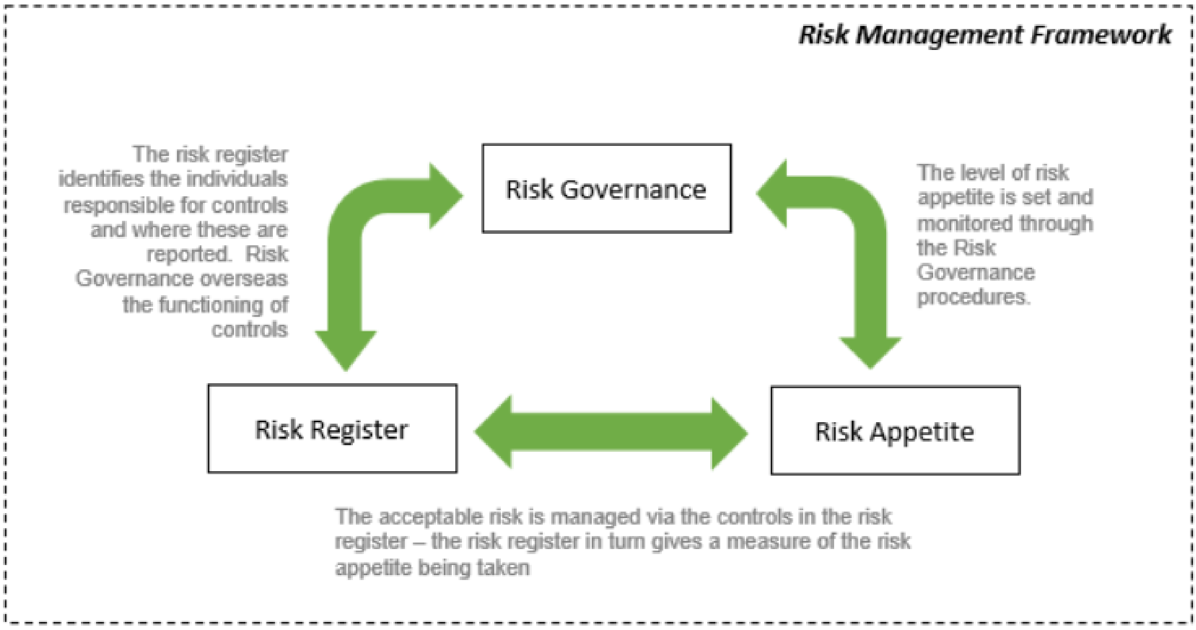
Alex D'Urso is Chief Risk Officer of Ascot Re. He joined Ascot Underwriting Limited in 2016 and relocated to Bermuda as Chief Risk Officer of Ascot Re in July 2018. Alex has over ten years of experience in the fields of risk management and actuarial. Prior to joining Ascot, Alex held various actuarial roles at E&Y, Aon and Tokio Marine Kiln. Alex is a Fellow of the Institute and Faculty of Actuaries (UK).

Risk Management and Solvency Self-Assessment

a) Risk Management Process & Procedures to Identify, Measure, Manage and Report on Risk Exposures

Ascot Re has an enterprise-wide approach to risk management, which is closely aligned with the wider Ascot Group and leverages existing capabilities of Ascot Group whilst maintaining separate accountability within Ascot Re.

Ascot Re's risk management framework sets out the Company's approach to identifying, assessing, managing, monitoring and reporting on risks faced by Ascot Re. The Company's risk management policies are embedded in the risk management culture of the organization.



The governance of the Company's risk and capital management resides with the Ascot Re Board of Directors. The risk management framework in place at Ascot Re has been approved by the Board. The key committee in the daily management of risk is the Ascot Re executive committee which reports to the Board and whose terms of reference include risk management. Ascot Re's risk management function is led by its Chief Risk Officer, who is a member of the Ascot Re executive committee.

Ascot's approach to risk is that every member of staff contributes to the overall risk management of the Company, this is stressed to new joiners during their induction program. The risk management function sits above the business processes and ensures that there are no gaps between the level of control expected by the Board (as defined in the Company's risk appetite) and the actual controls in place.

The risk management framework and approach to risk in place at Ascot Re has been developed across the Ascot Group and was implemented at Ascot Re since underwriting operations have commenced.

The key elements of the risk management framework are outlined below.

Risk Identification – Ascot Re's risk assessment is continually refined as the business evolves with the risk and control owners being the primary source of change. Risk exposures are identified through a risk review process with each of the risk owners. The risk management function discusses each area on an at least annual basis with the risk owner, and updates the risk register as required. Risk management is involved in the business planning process which assists in identification of additional risks or altering existing risks.

Risk Assessment – Once risks have been identified, judgement is made in assessing their potential to damage the Company either financially or otherwise. The assessment of the impact and consequences of a risk is carried out by the risk management function or a specific risk/control owner and involves gaining an understanding of the real ramifications to the business should the risk occur.

Management – In managing Ascot Re's risks, the Company considers how, and through what mechanisms, it can control the risks identified to ensure they remain within the Company's risk appetite. The risk register details the key controls in place for all key risks identified. Risks are managed using both quantitative and qualitative measures, which facilitate risk discussion and mitigation through internal controls and other techniques which aid in reducing or eliminating risk exposure.

Monitoring and reporting – Monitoring and reporting of risks occurs at different levels throughout the Company. Various types of information are used to track risk and the effectiveness of controls, including management information and analytics which are produced and circulated to management, governance committees and to the Board as appropriate. Routine reporting is produced for management and Board meetings which includes key management information and commentary on each functional area of the business. Reporting includes escalation of risk and actions plans to the Board as required.

Ascot Re's risk appetite is expressed by quantitative and qualitative risk appetite statements, limits and tolerances. These appetites are proposed by the executive committee and approved by the Board. Risk appetites are reviewed on an annual basis to ensure they appropriately capture the risks faced by the Company and align with the business and strategic objectives.

The Company seeks to continually assess, challenge and refine the risk management framework to meet the evolving needs of the organization and continue to be fit for purpose against a backdrop of emerging risks in a business landscape which is continually changing.

b) Risk Management and Solvency Self-Assessment Systems Implementation

Ascot Re' risk management framework is implemented and integrated into its operations through the systems, processes and procedures and controls developed by management. The implementation of the solvency self-assessment includes the process by which Ascot Re assesses all the risks faced by the business and the appetite for those risks which, in turn, drives the controls the Company has in place, and the capital needed to support them.

The solvency self-assessment outlines the quantity and quality of capital required to support Ascot Re's strategy, and seeks to identify and measure all material risks. The Company's risk management framework outlines the risk appetite and tolerances.

Ascot Re's Commercial Insurer Solvency Self-Assessment report (CISSA) is prepared on an annual basis, with supplementary informational updates produced on an ad hoc basis, should a material event occur that requires the solvency assessment to be refreshed. The CISSA includes an element of strategic review with consideration given to a forward looking business plan and the capital required to support the business over time. Included within the CISSA are elements of capital, business performance, strategic information, emerging risks and risk appetite – all areas required to enable decision making.

The Company seeks to manage its capital such that regulatory requirements are met at all times, adequate capital is available to enable its insurance obligations to be met, and to maintain the levels of capital required by rating agencies. The Company is required by the BMA to maintain available statutory capital and surplus in an amount equal to its enhanced capital requirement as well as having its own view of required capital.

c) Relationship Between Solvency Self-Assessment, Solvency Needs & Capital, and Risk Management

The solvency self-assessment is a continuous process encompassing the business plan, strategy, current and forward-looking risk profile of the business and the quality and quantity of capital required. The process incorporates identification, assessment, monitoring and reporting of the key risks to the Company, and to identify the capital necessary to ensure the overall solvency requirements are met. The CISSA is integrated into the Company's broader risk management framework and governance structures, enabling Ascot Re to:

- Assess the risks the business faces
- Judge how best to control those risks
- Report on the adequacy of those controls and risk assessments
- Allocate capital in accordance with the risks faced
- Plan for future business strategy

d) Solvency Self-Assessment Approval Process

The Company's risk management function is responsible for the preparation of the CISSA, in consultation with the functional business areas. The CISSA is reviewed and approved by the executive committee and Ascot Group CRO. The CFO is the principal representative of Ascot Re, and has delegated authority from the Board to approve the CISSA. The CISSA report is provided to the Ascot Re Board for approval on an annual basis.

Internal Controls

a) Internal Control System

The Company has established an internal control framework encompassing all key controls over the business, both financial and non-financial which enables the Company to achieve its business plan goals within its defined risk appetite. The effectiveness of these controls are regularly reviewed within the Governance structure established at Ascot Re.

Ascot Re has a defined organisational structure, with clearly understood lines of responsibility and delegation of authority to help ensure that policies are effectively implemented and adhered to. Through its oversight, the Board is responsible for monitoring controls used to assess and manage exposure to all areas of risk.

Detailed operational procedures are adopted and followed by the Ascot Re's principal functional activities and are designed to incorporate key controls which are subject to ongoing review to ensure that they are being operated effectively and that they are suitable to manage any significant business risks faced.

Detailed operational procedures are adopted and followed by the Ascot's principal functional activities and are designed to incorporate key controls which are subject to ongoing review to ensure that they are being operated effectively and that they are suitable to manage any significant business risks faced.

A Governance framework is in place to ensure appropriate oversight. This comprises the Board and sub-committees, in particular the Executive Committee. Various risk policies and associated procedures are documented. Controls and exception reports around these processes provide management information to the relevant Committee that has responsibility for that area of the business.

A risk governance structure is in place to ensure risks are managed within the risk appetite set by the Board. The Risk Register documents the key risks and associated controls. These risks and controls have owners and are subject to periodic review as part of the risk assessment process.

In addition to the Ascot Re Board, the Company’s compliance function (including the actuarial and internal audit functions) and the finance function are key contributors, along with risk management, to the governance and oversight of the Company’s system of internal controls.

Finance Function

The finance function is responsible for the implementation and maintenance of accounting policies and procedures to ensure the accurate recording and reporting of financial information. The finance function reports in the first instance to the Ascot Group Chief Financial Officer, with further reporting to the executive committee, Ascot Re Board and also the Ascot Audit Committee. The finance function is headed up by the Financial Controller and principally comprises qualified accounting staff. The finance function ensures:

- The accuracy of the Company’s US GAAP and annual statutory financial statements

- That the Company is compliant with relevant accounting policies and standards
- The Company is compliant with regulatory financial reporting obligations to the BMA

b) Compliance Function

The compliance function oversee the governance structure and assists in the internal controls process. The Compliance function prepares a compliance plan annually which is reviewed and approved by the Ascot Re executive committee.

The compliance function is responsible for ensuring compliance with regulation, legislation and Ascot Re policies and procedures relating to the underwriting of insurance risk. This encompasses areas such as underwriting authority, money laundering, bribery and corruption and sanctions and includes identification of compliance risk and assessment of the potential impact of changes in the legal and regulatory environment. The function is headed by the Chief Risk Officer, with support being drawn from members of Ascot Group from time to time as required. The Compliance function reports to Ascot Re's Executive Committee.

Internal Audit

Internal Audit is responsible for providing independent and objective assurance on the operations of the Company. The function is outsourced to Grant Thornton. Internal Audit reports directly to the Group Audit Committee and items relevant to Ascot Re are reporting to the Ascot Re Board.

Internal Audit is a key function in the control environment of the Company, ensuring that the policies and procedures are implemented and being carried out correctly and operating effectively at all levels of the organisation.

Actuarial Function

The Actuarial function is responsible for the following areas:

- Technical Provisions: including calculating technical provisions, ensuring appropriateness of methodologies, models and assumptions used in the calculation of the technical provisions, assessing adequacy and quality of data used in calculating technical provisions and comparing best estimates against experience.
- Underwriting Arrangements (Pricing): ensuring that Ascot Re applies consistent and appropriate methodologies across the business to arrive at the price to be charged for each policy underwritten.
- Reinsurance Arrangements: reviews the adequacy of the Company's reinsurance arrangements.

The Actuarial function is headed up by the Chief Risk Officer and contains representatives from underwriting and external actuaries. Support is provided from time to time by affiliate companies within the Ascot Group including the claims, risk management, reinsurance, management information, and finance teams as well as external third party actuaries.

The Technical Provision analysis is outsourced to Ernst and Young ("EY"), however the Ascot Re Board have ultimate responsibility for setting of reserves. EY have a long relationship with Ascot Group in this capacity and have a deep understanding of our approach to underwriting. Under this arrangement the Company benefits from the industry experience and actuarial reserving capabilities of EY, including their access to a market view of trends and benchmarks. In addition, their independence allows for greater objectivity in the reserving process. The reserve estimates and analysis are reviewed and challenged by Chief Risk Officer and provided for approval and further review and subsequent approval at the reserve committee. The reserve committee includes all members of the Executive Committee. Following approval the reserves are also presented to and reviewed by Ascot Re Board.

Outsourcing

a) Outsourcing Policy and Key Functions that have been Outsourced

The Ascot Re executive committee and Board have ultimate responsibility for the critical business functions of the Company. Ascot supplements its operational resources through the use of outsourcing arrangements. This strategy allows Ascot to focus internal resources on its core Ascot Re underwriting functions and leverage the expertise and market strength of selected service providers.

The Company's outsourcing policy establishes the selection criteria for service providers, management oversight of the work they provide, including monitoring and assessment of risks and performance. Terms and conditions for material outsourcing contracts are approved in accordance with the Company's corporate governance and risk management frameworks.

The Company has strategies and controls in place to mitigate the associated risks that are introduced through the outsourced provision of services to Ascot Re. The Company is responsible for ensuring the design and operation of controls employed by the outsource service provider are commensurate are aligned with Ascot Re's own risk management framework.

The Board has responsibility to ensure that an outsourced service does not diminish Ascot Re's ability to fulfil its obligations to customers, regulators or other stakeholders. Core management functions such as setting strategies and polices, oversight of operational processes, financial responsibility and reporting are not outsourced.

The core functions that are outsourced by Ascot Re to third parties include internal audit, actuarial reserving and the management and accounting of investments.

b) Material Intra-Group Outsourcing

Ascot Re leverages a global shared service model, through which the Company has access to operational functions provided by affiliated companies. This allows Ascot Re to benefit from efficiencies, expertise and economies of scale. These arrangements cover information technology (infrastructure and services), operations, actuarial, risk management, legal, claims operations, reinsurance and reporting services.

Other Material Information

None.

3. Risk Profile

Material Risks the Insurer is Exposed to During the Reporting Period

The key risks faced by Ascot Re are summarized below:

Insurance Risk

Insurance risk refers to the fluctuations in timing, frequency, and severity of insured events relative to the expectations at the time of underwriting. Insurance risk can also refer to fluctuations in the timing and amount of claim settlements. Specific examples of insurance risk include variations in the amount or frequency of claims or the unexpected occurrence of multiple claims arising from a single cause. Insurance risk also includes the potential for inadequate pricing or reserving assumptions.

The key components of insurance risk for Ascot include:

- Underwriting risk (including cycle, gross losses, pricing): The risk arising from uncertainties about the ultimate amount of net cash flows from premiums, commissions, claims and claims settlement expenses paid under a contract (prospective in nature).
- Claims management: The risk arising from the uncertainties associated with the quantum of claims that will be paid out on policies underwritten.
- Catastrophes & aggregation and reinsurance risk: The risk arising from concentration of exposures by industry, geography, line of business, a single insured or single insured event, and, in particular:
    - Risk arising from concentration of exposures to catastrophe perils;
    - Clash risk, or risks arising from exposures in which multiple insureds suffer losses from the same occurrence, or the same cause of loss.

- Reserving risk: the risk that the estimation of future claims payments in respect of earned premium is inadequate.

Other lesser components of insurance risk include:

- Broker relationships: the risk that broker relationships are not maintained which could lead to a significant reduction in premium for Ascot.
- Policy wordings: the risk that contract wordings do not reflect the type of insurance coverage the Company believed it was selling and that consequently losses arise in the future that were not considered when underwriting and pricing the policy.

Credit Risk

Credit risk is the risk of default of a counterparty or obligor including the risk of default under mitigating contracts like reinsurance, financial instruments, and premium payments from policyholders. It also includes the assessment and management of the aggregation or concentration of credit risk, whether by counterparty, industry or rating.

Operational Risk

Operational risk is defined as the risk of loss, resulting from inadequate or failed internal processes, people and systems, or from external events. In addition, operational risk includes potential exposures to cyber risk. Ascot Re continue to develop (in conjunction with the wider Ascot Group) its controls to defend against potential cyber risk.

Market risk

Market risk is defined as the potential loss in value or earnings arising from changes in the values at which assets and liabilities may be traded as a result of external market and economic factors including:

- Changes in the overall level of interest rates;
- Change in the shape of yield curve;
- Inflation rate changes;
- Changes in the overall level of credit spreads;
- Changes in the shape of the credit spread curve;
- Exchange rate movements.

In addition to the above external factors, market risk may also arise from controllable factors such as concentrations in allocations to specific asset classes.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its obligations due to the lack of sufficient liquid assets, or is forced to sell assets at a potentially disadvantageous time in order to meet outgoing cash flow and collateral requirements, or has difficulty in raising capital when needed.

Group Risk

Group risk is the risk of another part of the corporate group which Ascot Re is a member causing damage to the Ascot business via its actions. The damage may be caused by action taken that is directly targeted at Ascot, or indirectly as a result of group activities in other entities. Group risk includes reputational risk and risk of loss arising from the adverse effect of management decisions on business strategies and their execution.

Risk Mitigation in the Organization

The identification, analysis, evaluation and reporting of risks is performed by the Risk Management function as laid out within the risk management framework and supporting policies. Risk Management reports to the executive committee and the Board, including their findings on any deficiencies, as appropriate. The Board, risk management and internal audit review the risk management framework. For new and emerging risks, the Ascot Re executive committee discuss areas of change within the market and Company to establish any expected impact and whether any actions need to be taken or new controls introduced.

The table below summarises the risk categories and provides an overview of the high level control approach to these risks. For each risk category an owner has been identified as having overall responsibility for that risk.

Category	High level controls
Insurance	Defined limits of risks at policy and aggregate level which can be accepted combined with peer review, rating analysis and detailed MI to measure risks accepted
Credit	Criteria set for ensuring exposure is limited depending on credit rating (internal or external view) of 3rd party as well as overall counterparty limits
Operational	Documented procedures and contingency plans designed to provide effective and robust operational processes
Market	Specific investment strategies developed with financial market experts to manage asset risk along with polices for ensuring matching risk in particular on key currencies is avoided or mitigated
Liquidity	Cashflow forecast to assess need for liquidity in the event of large insurance losses
Group	Strategies for managing relationships between intra group entities and understanding of requirements of all jurisdictions which can impact Ascot and where necessary plans for alternatives

Material Risk Concentrations

The Company's risk management function maintains and monitors tolerances around key risk exposures and material risk concentrations according to the Board approved risk appetites. Key exposures include exposure to significant natural catastrophe events. The Company sets its catastrophe risk tolerances on an aggregate basis.

The Company monitors aggregation of exposure to natural catastrophe events against risk appetites and limits using stochastic catastrophe modelling tools, internally developed aggregation tools. Stress and scenario tests, including Lloyd's and internally developed RDS's are also run.

The Company also has the potential for material risk concentrations in Ascot Re's investment portfolio without proper mitigation and oversight. In order to reduce this risk Ascot Re has defined investment guidelines and a conservatively managed investment portfolio to restrict exposure to particular asset classes and investment aggregations.

The assets that potentially subject the Company to concentrations of credit risk consist principally of cash and investments, reinsurance recoverable and (re)insurance premiums receivable balances, as described below. Credit risk is the risk of default of a counterparty or obligor including the risk of default under mitigating contracts like reinsurance, financial instruments and premium payments from policy holders.

The Company mitigates credit risk through the application of detailed counterparty credit assessments, working to ensure that contractual terms are fit for purpose and that full disclosure of relevant information is made, and through exerting contractual and other credit control measures in pursuit of premium and reinsurance recoverables due.

Cash and Investments - In order to mitigate concentration and operational risks related to cash and cash equivalents, the Company limits acceptable counterparties based on current rating, outlook and other relevant factors. The Company's cash and cash equivalents are on deposit with various financial institutions. Credit risk arises from the failure of the counterparty to perform according to the terms of a contract. The Company's deposits are with reputable banks to minimize this risk and they are located principally in Bermuda and the U.S.

The Company's investment portfolio is managed by external investment managers in accordance with its investment guidelines. The Company limits credit risk through diversification, issuer exposure limitation graded by ratings and, with respect to custodians, through contractual and other legal remedies.

Reinsurance recoverable balances - The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers. As of December 31, 2018, 15.7% of reinsurance recoverables were from reinsurers rated A+ and 14.7% from reinsurers rated A-. The remaining 69.6% was from unrated reinsurers and all of this was collateralized. As of December 31, 2018, the reserves for reinsurance recoverables deemed uncollectible was $nil.

Premiums receivable balances - The diversity of the Company's client base limits the credit risk associated with its premium balances receivable. In addition, for insurance contracts, the Company has contractual rights to cancel coverage for non-payment of premiums and for reinsurance contracts, it has contractual rights to offset premiums receivable with corresponding payments for losses and loss expenses.

Brokers - The Company produces its third party business through brokers and direct relationships with insurance companies. During the year ended December 31, 2018 two brokers were used to generate greater than 10% of the Company's third party gross premiums written, representing 37.5% and 21.7% of the Company's third party GWP of $52.4 million, respectively.

The Company has policies and standards in place to manage and monitor credit risk from intermediaries with a focus on day to day monitoring of the largest positions. These contractual rights contribute to the mitigation of credit risk, as does the monitoring of aged receivable balances.

Investment in Assets in Accordance With the Prudent Person Principles of the Code of Conduct

Ascot Re's investment portfolio is managed by external third party investment managers, under the strategic direction set out in the Company's investment policy guidelines, which is consistent with the

Prudent Person Principles of the Code of Conduct. The investment portfolio is diversified and managed with consideration given to market risk, credit risk, interest rate risk, currency risk, and liquidity risk. The Company holds a liquid, highly rated, high quality, low volatility fixed income portfolio in order to support insurance reserves and ensure that claims and obligations can be paid as they fall due.

The investment guidelines are governed by the Board, and are reviewed on an at least annual or ad hoc basis as required.

Stress Testing and Sensitivity Analysis to Assess Material Risks

The Company performs stress testing on an annual basis in relation to its material risks in order to determine the adequacy of capital and liquidity to ensure regulatory requirements are met. Stress testing and sensitivity analysis is performed over investment/market risks related to the Company's invested assets, and insurance risk as relates to the Company's underwriting risks and policy liabilities.

Investment/Market risk testing responds to interest rate shocks, market downturns, inflationary pressures and currency shocks. The results of this are used to assist with determining the strategic direction of the investment allocation and guidelines.

Insurance risk testing includes concentration and aggregation scenario simulation, through the use of catastrophe modelling techniques. The modelled results provide insight and quantification of aggregate and single-event perils, by geographic region and event type, and the potential for clash risk. Catastrophe modelling simulations assist in the identification and subsequent management of underwriting risk.

The results of the Company's stress testing and sensitivity analysis for material risks are reported to the Ascot Re executive committee and the Board on an annual basis.

The most recent stress testing performed by the Company confirms that Ascot Re has sufficient capital and liquidity to absorb the losses under each scenario considered.

4. Solvency Valuation

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

The financial statements of Ascot Re are prepared in conformity with US GAAP accounting principles, and form the basis of preparation for both the statutory financial statements and the economic balance sheet (EBS). The EBS is used by the Company and the BMA in assessing the minimum solvency margin and capital requirement.

Ascot Re has used the valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime" for the Company's statutory filing for the year ended December 31, 2018. The Company's assets and liabilities are valued on a consistent economic basis under the EBS framework, whereby the potential accounting mismatches are reduced or eliminated - driven by the fair value basis which is applied to assets and liabilities. Fair value is defined as the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date.

The following describes how the fair value principles used for the Company's asset classes are valued for statutory EBS purposes:

- Cash equivalents include money-market funds and fixed interest deposits with a maturity of less than three months when purchased. Cash and cash equivalents are recorded at amortized cost, which approximates fair value due to the short-term, liquid nature of these securities.

- Investments in fixed maturity securities are classified as trading and are carried at fair value, with related unrealized gains and losses recorded in Investment Income (line 31) of Form 2 Statutory Statement of Income.

  Fair values of the Company's fixed maturity securities are based on quoted market prices or, when such prices are not available, by reference to broker quotes and/or internal pricing valuation techniques. Investment transactions are recorded on a trade date basis with balances pending settlement recorded as receivable for securities sold or payable for securities purchased and included within sundry assets and sundry liabilities, respectively.

  For mortgage-backed and other asset-backed debt securities, fair value includes estimates regarding prepayment assumptions, which are based on current market conditions. Amortized cost in relation to these securities is calculated using a constant effective yield based on anticipated prepayments and estimated economic lives of the securities. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date. Changes in estimated yield are recorded on a retrospective basis, which results in future cash flows being used to determine current book value.

- Accounts Receivable and Premium Receivable are recorded under US GAAP at amortized cost which is assessed for credit risk. For EBS, receivables are valued in the same way with the exception that any amounts due in more than one year are discounted at the relevant risk free rate. Premium receivable that is not due or is deferred at the balance sheet date is included within the Company's EBS technical provisions.

- Deferred acquisition costs are included in the premium provision valuation within the Company's technical provision for EBS.

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

Technical provisions ("TP") are based on the best estimate of future cash flows required to settle the insurance and reinsurance obligations associated with existing business as at December 31, 2018. This also applies to business with inception dates subsequent to December 31, 2018 which has been bound (Bound but not Incepted "BBNI").

In addition, a risk margin is included to reflect the inherent uncertainty contained within the underlying cash flows associated with insurance and reinsurance liabilities. The risk margin is calculated based on the cost of capital approach as described in the BMA's risk margin template. This method calculates the risk margin as the discounted cost of capital, net of investment expenses, required to support the liabilities until settled.

The best estimate for the EBS technical provision is calculated by starting with the US GAAP undiscounted and unpaid gross and net of reinsurance loss and loss adjustment expenses for losses incurred on or prior to December 31, 2018. Technical provisions also reflect future claim estimates on unexpired risks incepting on or prior to December 31, 2018 and BBNI exposures. The TP uses the US GAAP reserves, adjusted for the following:

- Removal of prudence margins
- Incorporation of expected reinsurance counterparty defaults
- Incorporate of Events not in Data ("ENIDs")
- Other adjustments related to consideration for investment expenses
- Discounting of cash flows

The best estimate of the premium provision is calculated using the unearned premium reserve ("UEPR") on a US GAAP basis, adjusted for BBNI and applying expected future loss ratios, expense ratios and appropriate claims payout patterns to derive future expected cash flows.

The provisions are then discounted to take into account the time value of money, using the relevant risk free interest rate term structures as published by the BMA as of December 31, 2018.

As at December 31, 2018, the total technical provisions amounted to $11,288 recoverable comprising the following:

Economic Balance Sheet	Amount $000
Best estimate premium provision	($211,589)
Best estimate loss and loss adjustment expense provision	$185,124
Risk margin	$15,177
Total general business insurance technical provisions	($11,288)

Description of Recoverables from Reinsurance Contracts

The Company uses ceded reinsurance and retrocessional agreements to reduce its net exposures to loss on assumed insurance and reinsurance business. The agreements provide for recovery of a portion of underlying loss and loss adjustment expenses. The Company remains liable to its cedants irrespective of whether retrocessionaires meet their obligations under the agreements. The Company is exposed to credit risk from these agreements, which is monitored and evaluated on an ongoing basis. Provisions are made for any amounts deemed uncollectible. Reinsurance cover is purchased from highly rated reinsurance counterparties, having a credit rating of A- or higher or fully secured by collateral.

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

Similar to the valuation principles for assets, the Company's liabilities follow the valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime" which values liabilities using a fair value basis for EBS. The Company's other liabilities are valued on a US GAAP basis and obligations expected to be settled in more than one year are discounted using the prescribed discount rates provided by the BMA as at December 31, 2018.

Any Other Material Information

None.

5. Capital Management

Eligible Capital

a) Capital Management Policy and Process for Capital Needs, How Capital is Managed and Material Changes During the Reporting Period

The primary capital management objectives of the Company are to maintain a strong capital base to support the development of its business and to meet regulatory and rating agency capital requirements at all times. The Company recognises the impact on shareholder returns of the level of capital employed and seeks to maintain a prudent balance. Ascot Re strives for an appropriate capital structure that efficiently allocates capital according to the Company's risk profile and appetite.

The Company's capital and risk management strategy are primarily unchanged since incorporation. As at December 31, 2018 the capital resources of Ascot Re comprise shareholders' equity of $1.5 billion. The Company does not hold any debt, noncontrolling interest, temporary equity or any forms of capital other than equity. The Company holds capital in excess of the BMA regulatory capital requirements.

To maintain a strong capital base, the Company identifies, assesses, manages and monitors the various risk sources it faces in the course of business both currently and as anticipated over a five-year planning horizon. This process culminates in an assessment of the capital necessary to maintain solvency at the threshold targeted by senior management given the Company's risk profile and appetite. The Company's risk profile includes an assessment of the current and anticipated future material risks faced by the Company, the strength of the organisation's enterprise risk management, capital measures derived from proprietary and/or vendor models, qualitative risks, stress testing, liquidity.

Surplus capital is available to be either paid out in dividends or distributed as a capital return to the Company's parent, or, alternatively, capital can be utilized to support future growth of the Company and the wider Ascot Group. Ascot Re aims to generate positive cash flows from its insurance operations and investment portfolio in order to support future growth and preserve capital to support policyholder liabilities. The Company did not declare any dividends during the year ended December 31, 2018. Refer to Subsequent Events section regarding capital transactions during 2019.

b) Eligible Capital Categorized by Tiers in Accordance to the Eligible Capital Rules Used to Meet ECR and MSM Requirements of The Insurance Act

As at December 31, 2018, the Company's eligible capital resources available to satisfy regulatory requirements was classified as follows:

$000's	**December 31, 2018**	**December 31, 2017**
Tier 1	1,366,897	1,499,548
Tier 2	162,268	
Tier 3		
Total	**1,529,165**	**1,499,548**

The majority of the Company's capital is Tier 1, the highest quality capital, consisting of fully paid common shares, contributed surplus and statutory surplus.

The Company has $162m Tier 2 capital, representing amounts transferred from Tier 1 to Tier 2 in respect of encumbered assets supporting policyholder obligations, that are in excess of the underlying policyholder obligations. The Company has *nil* Tier 3 capital.

The BMA requires that at least 80% of the minimum solvency margin (MSM) and 60% of the enhanced capital ratio (ECR) is met by Tier 1 capital. The Company aims to hold substantial Tier 1 basic capital in excess of the BMA's regulatory capital requirements. As at December 31, 2018, the Company's eligible capital and minimum margin of solvency categorized by Tiers were as follows:

GULATORY CAPITAL LEVELS							
	Limits	MSM	ECR	Applied to MSM	Met - Y/N	Applied to ECR	Met - Y/N
Tier 1	min	80%	60.00%	1,366,897	Yes	1,366,897	Yes
Tier 2	max	25%	66.67%	162,268		162,268	
Tier 3			17.65%			-	
Eligible Capital				1,529,165	Yes	1,529,165	Yes

c) Confirmation of Eligible Capital That is Subject to Transition Arrangements

Not applicable.

d) Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR

The Company has provided assets in the form of fixed maturity securities and cash to satisfy Funds at Lloyd's (FAL) requirements for ACNL, an affiliated company. The value of the FAL pledged by Ascot Re as at December 31, 2018 was $339m ($398m as at December 31, 2017). From November 9, 2018 Ascot Re has also pledged a letter of credit with face value $250m for ACNL's FAL, which may be collateralized at the option of the Company. The FAL and letter of credit facility are used to provide FAL to support underwriting capacity provided by ACNL to Syndicate 1414 to underwrite insurance business through Lloyd's.

e) Identification of Ancillary Capital Instruments Approved by the Authority

Not applicable.

f) Identification of Differences in Shareholders' Equity as Stated in the Financial Statements Versus the Available Capital and Surplus

The following is a reconciliation of the US GAAP shareholders' equity to available statutory capital and surplus as at December 3, 2018:

Reconciliation of US GAAP to BSCR (EBS) Capital	**December 31, 2018 ($000)**

Shareholders' Equity per US GAAP	**1,517,074**
Remove non-admitted Prepaid Expenses	(67)
Bermuda Statutory Capital and Surplus	**1,517,007**
General business technical provision adjustment	15,461
BSCR (EBS) Economic Capital and Surplus	**1,532,468**
Encumbered assets not securing policyholder obligations	(3,303)
Eligible Capital	**1,529,465**

Regulatory Capital Requirements

a) ECR and MSM Requirements at the End of the Reporting Period

Regulatory Capital Requirements	2018 Amount ($000)	2018 Ratio %
Minimum Margin of Solvency	63,158	-
Enhanced Capital Requirement	238,788	642

b) Identification of Any Non-Compliance with the MSM and the ECR

Not applicable.

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

Not applicable.

d) Where the Non-Compliance is not Resolved, a Description of the Amount of the Non-Compliance

Not applicable.

Approved Internal Capital Model

a) Description of the Purpose and Scope of the Business and Risk Areas Where the Internal Model is Used

Not applicable – the Company has not applied to have an internal capital model approved to determine regulatory capital requirements.

b) Where a Partial Internal Model is Used, Description of the Integration with the BSCR Model

Not applicable.

c) Description of Methods Used in the Internal Model to Calculate the ECR

Not applicable.

d) Description of Aggregation Methodologies and Diversification Effects

Not applicable.

e) Description of the Main Differences in the Methods and Assumptions Used for the Risk areas in the Internal Model Versus the BSCR Model

Not applicable.

f) Description of the Nature & Suitability of the Data Used in the Internal Model

Not applicable.

Any Other Material Information

None.

6. Subsequent Events

On January 25, 2019, the Company amalgamated with Ascot Holdings Limited, an affiliated company, with the Company continuing as the surviving entity. As a result of this amalgamation, the Company is the direct holding company of Ascot Underwriting Group Limited (AUGL). AUGL operates as a holding company for a number of entities including ACNL, which is a UK based company providing underwriting capacity as the corporate member for Syndicate 1414 of the Society of Lloyd's.

Following the amalgamation, AGL contributed its shareholding in Ascot Insurance Holdings Limited (AIHL) to the Company, such that the Company is the sole shareholder of AIHL. AIHL operates as a holding company for Ethos Specialty Insurance Services LLC, a managing general agency and Ascot Insurance Company and Ascot Specialty Insurance Company which write both admitted and non-admitted business in the United States.

On January 31, 2019, the Company contributed $117,335,000 to AIHL.

On January 31, 2019, the Company completed the acquisition of Ascot Underwriting (Bermuda) Limited from Ascot Underwriting Holdings Limited (an affiliated company) for cash consideration of $2,176,000.

On March 20, 2019 Ascot Re declared a capital distribution of $250,000,000 which was paid to AGL on March 29, 2019.

On February 14, February 20, and March 4, 2019 Ascot Re advanced $15,000,000, $55,000,000 and $40,000,000, respectively, to Syndicate 1414 (an affiliated company) to support its ongoing operations.

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2018 through April 30, 2019, the date of preparation of this Financial Condition Report.