

SURESTONE REINSURANCE LTD.

POINT HOUSE, 4TH FLOOR, 6 FRONT STREET, HAMILTON HM 11
Mailing address: P.O. BOX HM 2450, HAMILTON HM JX, BERMUDA

TELEPHONE: (441) 295- 2220

FACSIMILE NO: (441) 292-0217

DECLARATION OF COMPLIANCE

(Prepared in accordance with section 15A of the Insurance Act 1978)

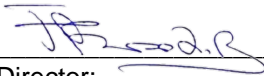
For the Year-Ended – March 31, 2022

We, the undersigned Directors of Surestone Reinsurance Ltd. (“the Company”) declare that to the best of our knowledge and belief, that the Company has:

- (a) complied with all requirements of the minimum criteria applicable to it;
- (b) not complied with the minimum margin of solvency;
- (c) not complied with applicable enhanced capital requirements;
- (d) not complied with all applicable regulatory conditions, directions, restrictions and approvals imposed on the insurer; and
- (e) not complied with the minimum liquidity ratio for general business.

With respect to the non-compliance noted above please refer to the appended report containing particulars of (i) the circumstances that led to the non-compliance and (ii) the action plan including time frame the Company has taken to rectify the non-compliance


DIRECTORS:



Director:

February 17, 2023

Date



Director:

February 17, 2023

Date

This report outlines (1) the circumstances that led to the non-compliance and (2) the action plan including time frame the Company has taken to rectify the non-compliance.

The circumstances that led to the non-compliance

The non-compliance was caused by entering into two commutation agreements post March 31, 2022 year end with Munich Re and Sinosafe which materially eroded the Company's capital base.

The action plan including time frame the Company has taken to rectify the non-compliance

As of January 17, 2023, the Company is back in compliance meeting its liquidity ratio, MMS and ECR due to (i) the settlement of £10.05M relating to the Munich Re commutation balance by November 30 which led to a material reduction of the Company's debtor balances owed from unrated group counterparties, these debtor balances attracted significant capital charges from a solvency perspective; (ii) the settlement by £2.5m relating to Sinosafe commutation which reduced the capital charges on balance due from this unrated counterparty; and (iii) the recognition of £3.7M indemnity from the Parent Company which boosted the Company's available statutory capital and surplus. This solvency position is expected to improve further once the remaining commutation payable of £4.95m is settled by March 31, 2023. The ECR is expected to be in excess of 300%.