

Langhorne|RE

Langhorne Reinsurance (Bermuda) Ltd

Modified Consolidated Financial Condition Report
for the Year Ended December 31, 2019



Sponsored by:

RGGA

RenaissanceRe

Executive Summary

Langhorne Reinsurance (Bermuda) Ltd (“**Langhorne Re**” or the “**Company**”) was incorporated in Bermuda on September 27, 2017 and licensed by the Bermuda Monetary Authority (“**BMA**”) as a Class E insurer on December 22, 2017. Langhorne Re is a wholly owned subsidiary of Langhorne Holdings LLC (“Langhorne”), which is sponsored by Reinsurance Group of America, Incorporated (“**RGA**”), a leading global life reinsurer, and RenaissanceRe Holdings Ltd. (“**RenaissanceRe**”), a global provider of reinsurance and insurance that specializes in matching well-structured risks with efficient sources of capital. Langhorne, which was formed to target large in-force life and annuity blocks globally, is capitalized with \$780 million of long-term equity capital commitments from RGA and RenaissanceRe (together, the “**Sponsors**”), as well as pension fund and life insurance companies not affiliated with the Sponsors. Langhorne’s investors are highly sophisticated, long-term investors.

Pursuant to Section 6C(1) of the Insurance Act 1978, as amended (the “**Insurance Act**”), Langhorne Re was granted approval to file a modified Financial Condition Report consisting of the Capital Management section and the necessary declarations and signoffs prepared in accordance with Schedule I of the Insurance (Public Disclosure) Rules 2015.

Capital Management

The Company intends to structure transactions to efficiently utilize its capital structure, while releasing excess capital in the form of regular distributions (once capital commitments have been deployed). The assessment of appropriate capital levels will be determined by considering regulatory requirements, rating agency expectations, working capital needs, collateral obligations, debt covenants and updated cash flow projections. The Company recognizes the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance. The intent is to strive for an appropriate capital structure that efficiently allocates capital to match risks assumed.

Capital Management Policy and Process for Capital Needs

The Company intends to hold capital sufficient to maintain both an “A-” rating from A.M. Best Company and a minimum 150% Bermuda Solvency Capital Ratio (BSCR). The level of capital and reserves will be tested regularly to ensure compliance with these risk parameters.

Eligible Capital Categorized by Tiers in Accordance with Eligible Capital Rules

To enable the BMA to better assess the quality of the insurer’s capital resources, a Class E insurer is required to disclose the makeup of its capital in accordance with the ‘3-tiered capital system.’ Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 Capital or Tier 3 Capital.

As the Company had not written any business as of December 31, 2019, the Company’s Eligible Capital consisted solely of \$250,000 of Tier 1 capital, the highest quality capital, consisting of capital stock, contributed surplus, and statutory surplus. Once Langhorne Re executes a transaction additional Tier 1 capital will be contributed by Langhorne to Langhorne Re.

Regulatory Capital Requirements

The Company was in full compliance with the Minimum Solvency Margin (MSM) and Enhanced Capital Requirements (ECR) as of December 31, 2019.

MSM Requirement: The regulatory requirement states that at least 80% of the MSM requirement must be met with Tier 1 Eligible Capital, and no more than 25% of the Tier 1 Eligible Capital can be met with Tier 2 Eligible Capital.

ECR Requirement: The regulatory requirement states that at least 50% of the ECR requirement must be met with Tier 1 Eligible Capital; Tier 2 Eligible Capital shall not exceed the Tier 1 Eligible Capital; and Tier 3 Eligible Capital shall not exceed 17.65% of the aggregate Tier 1 and Tier 2 Eligible Capital.

The Company's eligible capital amounts meet these requirements as of December 31, 2019 as the Company had not yet written any business. The Company also maintained a minimum net worth of \$250,000 as required by the Insurance Act. No internal models were used by the Company to derive the ECR.

Declaration Statement

To the best of our knowledge and belief, this Financial Condition Report fairly represents the financial condition of the Company in all material respects.



Marvin Pestcoe
Chief Executive Officer



Timothy Gasaatura, FSA, MAAA
Chief Actuary