

Message from the Chairman

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For 2021, I am departing from past annual reports and wish to make a statement on the future strategy of Barents Re. The goal is to use what we have learned during the Covid-19 pandemic to become a truly more resilient enterprise. We are not a short-term strategy player. Our strategic objectives are mainly long-term. To become a truly resilient business, we focus on three main objectives. First the integration of our teams worldwide within a culture that promotes life experiences, that can learn from each other. This is an environment where our staff enjoy rewarding work and grow professionally. Where there is mobility within the company. We aim to train multifaceted underwriters who are multicultural. Focus and specialization are our second strategic objectives. Third and last is our ongoing strategy of vertical integration within the re/insurance space and the creation of specialty vehicles.

2021 was a great year for Barents Re. Indeed, 2021 results were the best year ever for the company. We continued to organically grow our business, generating a net profit of USD 38.9 million (2020: USD 28.6 million), on gross written premiums of USD 319.1 million. Similarly, our total assets grew to USD 1,230 million (2019: USD 1,126million), and shareholder's equity rose to USD 550.1 million (2019: USD 515.8 million). With a net loss ratio of 63% and a combined ratio of 87%, Barents Re's 2021 ratios were among the best in the reinsurance sector.

Barents Re's success was the culmination of a well-planned and executed strategy where our solid footprint, rigorous risk selection, and strong customer relationships enabled us to benefit from improved market conditions in all our lines of business. We are confident that market conditions will remain adequate in 2022 and that the company is well positioned for the future.

I want to close this year's message with a personal reflection...

"We all need to live our lives more intensely and challenge conventional wisdom, which, in my experience, has proven erroneous over time".

Gerardo Garcia G.

Chairman

Barents Re Reinsurance Company, Inc.

Message from Managing Director

Gary Callaghan

Cayman Islands

As we continue to successfully make our way through turbulent social, political, and environmental waters, I would like to extend my thanks to the Cayman Board for its guidance and calm navigation in these challenging times. It has been a pleasure to serve with you.

Barents Re thrives on risk and volatility. The market has provided plenty of that in recent years but converting risk and volatility into dollar profits is an art form, requiring discipline and daring in equal measure. We have achieved this due to the professionalism of our underwriters and teams around the globe.

Barents Re continues to differentiate itself in terms of its business mix and reliance on pure underwriting results, notably recording its highest levels of profitability at a time when the market has been significantly challenged with losses across various lines. Many market players have penned positive outlooks but have done so while posting negative underwriting results. We are proud to report that 2021 was our most profitable year, topping the excellent returns we achieved in 2020, itself a record year for our company.

Here is a glance at some of the critical factors that have contributed to our success.

- **Maintained focus on our core lines of business: avoiding the distractions**
- **Defined risk appetite: ex USA and ex-critical catastrophe zones**
- **Consistent leadership**
- **Pure in-house underwriting: no delegation or MGA's**
- **Achieved increased profitability on every core line of business**
- **Enhanced balance sheet strength: assets have grown to USD 1.2 billion**
- **Reinvested profits: no dividends**
- **Improved rate adequacy in our niche areas**
- **Maintained good standing with our regulator, the Cayman Island Monetary Authority (CIMA)**
- **Enjoyed retrocession support from highly rated and deeply experienced reinsurers**

It is pleasing to recognize our developments on the ESG side of things, where we continue to provide expertise and capacity for green energy projects across the globe and, closer to home, with the recent launch of the Barents Re Scholarships for students here in Cayman.

For 2022 all indications are that the market outlook will continue to be positive. We look forward to developing further our relationship with our business partners and stakeholders. So again, thank you for your support.

Gary Callaghan

Managing Director and Board Member

Message from CEO

David Indge

Barents Re Reinsurance, S.A.
Luxembourg

2021 was an excellent year for Barents Reinsurance SA. Indeed, the 2021 results were the best year ever for the company.

Our success was due to our solid market footprint, rigorous risk selection, strong customer relationships, which enabled us to benefit from improved operating conditions in all our lines of business and the hard work of our staff.

During the year we also took the opportunity to review of all business functions which in turn has led to the hiring of additional staff in both the Luxembourg and London offices. The purpose of the review was to align the company with its long-term goals and to increase the company's value. The additional staff have either already joined the company or are due to join in the next few months.

David Indge

CEO

Barents Re Reinsurance, S.A.
Luxembourg



Line of Business Overviews

MGA Spain

Bonds

2021 was a challenging year, but the Barents Re Surety Bond team successfully navigated the challenges facing the sector arising from the continued impact of the Covid-19 pandemic. We focused on both ongoing projects and new opportunities.

Where infrastructure projects suffered delays, we supported our clients with the needed extensions, alongside governments and other public bodies who have shown a collaborative approach. These efforts proved to be a successful way forward. It also created goodwill for the future.

While our historically strong presence in Latin America continues, we have seen an increase in Surety Bond business opportunities in Africa, a region that we have been exploring with interest in recent years. Likewise, activity levels are up in the Middle East. Our approach has not changed: being cautious, focusing on countries with political stability and on construction and infrastructure projects financed by international banks or public bodies, venturing in these markets side by side with the most experienced construction companies.

In Europe, Italy and Spain continue to be our main markets. Our business focuses on the Construction & Engineering, and Renewable Energy sectors. We have a presence in both countries.

In 2021, we initiated a new operational structure in Spain by establishing an underwriting agency for the local market to provide the best service to our clients and brokers. The new entity, Barents MGA, will commence operations in 2022. It will have delegated authority from Eurioins Insurance JSC, supported by the full reinsurance capacity of Barents Re. This will allow us to issue local policies using paper with our own brand, which will be a real incentive for the insurance market, given the high credit quality of the Barents Re group.

Barents Re is a leading facultative Surety Bond reinsurer worldwide. We are happy to report that our brand recognition in the Surety Bonds business increases year after year, and we look forward to 2022 with confidence.

Spain Bonds Team



The Italian Surety Bond market grew further in 2021, reaching its highest premium levels in recent years.

Italy is the second most significant contributor to our Surety Bond business in Europe and is a target market for us, especially for public procurement law contract bonds, which represent almost 70% of total premiums in this segment.

Looking forward, we expect to expand our presence in the infrastructure, construction, and facility management sectors, seizing the opportunities arising from the anticipated investments arising from post-pandemic economic recovery programs.

Italy Bonds Team



Line of Business Overviews

Energy

We apply a sophisticated approach that goes beyond just premium rates. We embrace the unique nature of each risk and appropriate retention levels, breadth of cover, terms, and conditions, and wording amendments.

Such a forensic approach, which has served us well, not only gives comfort to the decision process but elevates the experience of all team members.

Barents Re Energy underwriting team is based in London and is focused on providing re/insurance capacity for Energy risks worldwide, excluding those based in the USA. We avoid risks downstream of refining and related risks such as power, fertilizer, and methanol. Our capacity is composite and responds to both upstream and downstream, separately or as a package.

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Our trading environment for 2021 was positive for downstream and upstream risks in different ways.

The upstream market continued to be weak, with rate rises of 2.5% to 5% being the norm. Technical loss ratios continued to be good on upstream risks, but there was no pressure on premium rates. Underwriting and pricing discipline remains within leadership circles with respected companies/syndicates who are seeing little threat from new markets, reflecting the holistic view of management and the need to maintain the profitability of their portfolios.

Pressure in the upstream market was exacerbated by a lack of confidence in oil prices. This has reduced project activity, resulting in more modest drilling campaigns and a lack of activity within contractor fleets. As a result, revenues are down, and consequently, the policy adjustments result in negative rather than positive premium flows.

The downstream market continued to see rate increases but not to the same extent as in prior years as pressure eases. The rate increases at the start of 2021 were around 10%; by the end of the year, they were 2.5% to flat renewals on clean business. We continue to provide support to brokers as we look to capitalize on a favorable market environment. Since the hardening of the downstream market, increased retentions and decreasing coverage adopted by clients remain mostly in place.

As we look towards 2022, Barents Re is strongly positioned to leverage its capacity deployment across the spectrum of Energy re/insurance activity as a composite capacity provider, with the market gears spinning at very different speeds. The 'subscription market' has long since collapsed in the downstream sector, and the upstream market is beginning to default to differential terms. Electronic re/insurance placement is here to stay and will accelerate this process. Our Energy underwriting team is well qualified to navigate these challenging waters and continue to provide positive results.

Barents Re remains well-positioned with core relationships spread through all the Energy brokers. Although a substantial part of our income is generated by the "big three", we continue to source opportunities from brokers of all sizes.

Line of Business Overviews

Property

The Property market hardened significantly in 2020 on the back of Covid-19, with significant rate increases of 15-20%.

In 2021, this slowed due to the availability of ample cheaper capacity, notably in Asia, Latin America, and MENA. However, in London, Property re/insurers market still pushed for increased rates, which averaged around 7.5% on clean business.

A tightening of terms and conditions around cyber and communicable diseases continued through 2021. Barents Re strongly supported standard market exclusions on all policies to avoid unintended exposures.

2021 was another heavy year for catastrophe losses in the Property market, with events such as the European floods hitting many re/insurers hard. As a result, the appetite for high catastrophe exposed areas is decreasing, and re/insurers are limiting their line sizes, restricting coverage, and demanding higher premiums to compensate for the increased risk. Barents Re continues to take a conservative approach to catastrophe risk and diligently models its exposures to ensure they are carefully managed.

There is an ongoing requirement from the UK Prudential Regulatory Authority (PRA) for the London market to focus on profitability and underwriting discipline to address previous poor performance. Therefore, capacity for historically underperforming occupancies remains low, especially for significant fire risk exposed classes like woodworking and recycling. As a result, carriers are increasingly focused on the quality of the risks rather than just the top line, with particular attention paid to risk management attitudes and proven loss records.

The outlook for 2022 is positive, as although rate increases have slowed, they are not yet flattening, and Barents Re continues to seek opportunities to grow, while maintaining our focus on principled underwriting to develop our portfolio of high-quality, diversely spread risks with favorable loss records

Line of Business Overviews

Financial Lines

In 2021 we strengthened the Financial Lines team, which will be fully implemented in 2022.

This will allow us to focus on new business opportunities that have not been available to us before.

2021 continued as a year of retrenchment in the Financial Lines market, as prices rose across the sector and coverages were cut back in some sectors. Our portfolio of emerging markets business is quite unique, so the market trends don't always match the broader Financial Lines market, but this year was extremely positive.

Emerging market accounts tend only to need a modest line size commitment, which means that competition often arises from the opportunistic activity of Financial Lines underwriters with limited experience in the sector. Strong relationships with cedants and brokers are critical, which we plan to strengthen further in 2022. There is also low systemic risk exposure.

In 2021 we strengthened the Financial Lines team, which will be fully implemented in 2022. This will allow us to focus on new business opportunities that have not been available to us before.

In the year ahead, we intend to continue to focus on underwriting discipline and diligent risk selection at the expense of the pursuit of out-and-out top-line growth. This is all within the context of developing our Financial Lines portfolio and contributing positively to the Barents Re brand.

Line of Business Overviews

Life, Accident and Health

For the Life re/insurance sector, 2021 continued to be dominated by the impact of Covid -19 pandemic risk.

The Life insurance market experienced yet another year of single digit growth in mature markets, such as North America and Europe, but with higher rates of growth in regions with historically lower levels of insurance penetration, notably MENA, Latin America, and Asia.

With a market size estimated at between USD125 – USD135 billion and with a few established players having a predominant market share in Life reinsurance, the essence of Barents Re's Life strategy is to be present where there are gaps in capacity for smaller deals or shares of treaties for ceding companies in regions with good growth prospects. Such deals are of less interest to established players, providing an opportunity for Barents Re to step in and fill the coverage void encountered by clients.

We are particularly pleased with our progress in regions with two of the fastest rates of growth: Latin America and Asia. In partnership with clients, our product development work over the past year has borne fruit with greater diversity of cover available for mortality, morbidity, disability, and some affinity programs. Although the saturated markets of the USA and Canada are not of interest, we continue to seek opportunities in Europe to work with like-minded insurers on niche reinsurance business.

For all parties active in the Life re/insurance sector, there are distinguishing traits which will mark out those who are ultimately successful in this space, regardless of size. A culture of innovation, embracing technology and ensuring regulatory compliance are at the core of the business are all fundamental to success. We have adopted these characteristics to complement our diligent and disciplined underwriting expertise.

With a solid year in 2021 and robust plans in place for the year ahead, Barents Re is well placed to achieve further success in the future.

Line of Business Overviews

Marine Cargo

2021 saw the return of re/insurers into the Marine Cargo market due to higher rates and improved results throughout 2020, together with the entry of new market capacity, including MGA's with a wide-ranging appetite and large underwriting capacity.

This has resulted in a flattening of the market, and most of the renewal business seen towards the end of the year was at expiring terms. We expect this trend to continue into 2022. Noticeably, North American accounts are redomiciling back into the US market.

The possibility of large losses due to the misdeclaration of cargo remains an issue, with this being a leading cause of fire onboard vessels. The blockage of the Suez Canal by the grounding of the Ever Given for nearly a week in 2020, and the resulting loss to the market, emphasized the impact of the size of new vessels and the accumulation of goods. Challenges to the supply chain persisted long after the obstruction was removed, highlighting the effect a single incident can have on the delicately balanced 'just in time' supply model in which the industry operates. Working groups in shipping and insurance continue to seek solutions to these issues.

An increasing focus on ESG has shifted the appetite of much of the London market away from fossil fuels such as coal; meanwhile, the push for carbon-neutral shipping continues. As a result, we have seen more companies opting to use LNG-fueled vessels or hydrofoils to reduce emissions and offer a carbon-neutral option to their clients.

Coverage restrictions for cyber and communicable diseases continue, as does the move towards higher technical standards in underwriting rather than emphasizing top-line growth. Barents Re continues to employ a rigorous approach to technical underwriting to maintain profitability while remaining competitive.