Helios Underwriting

Building a Capacity Fund

HELIOS UNDERWRITING

Introduction to Helios:

‘The’ Consolidator at Lloyd’s for Private Capital

Who you are meeting today

Nigel Hanbury
Chief Executive Officer

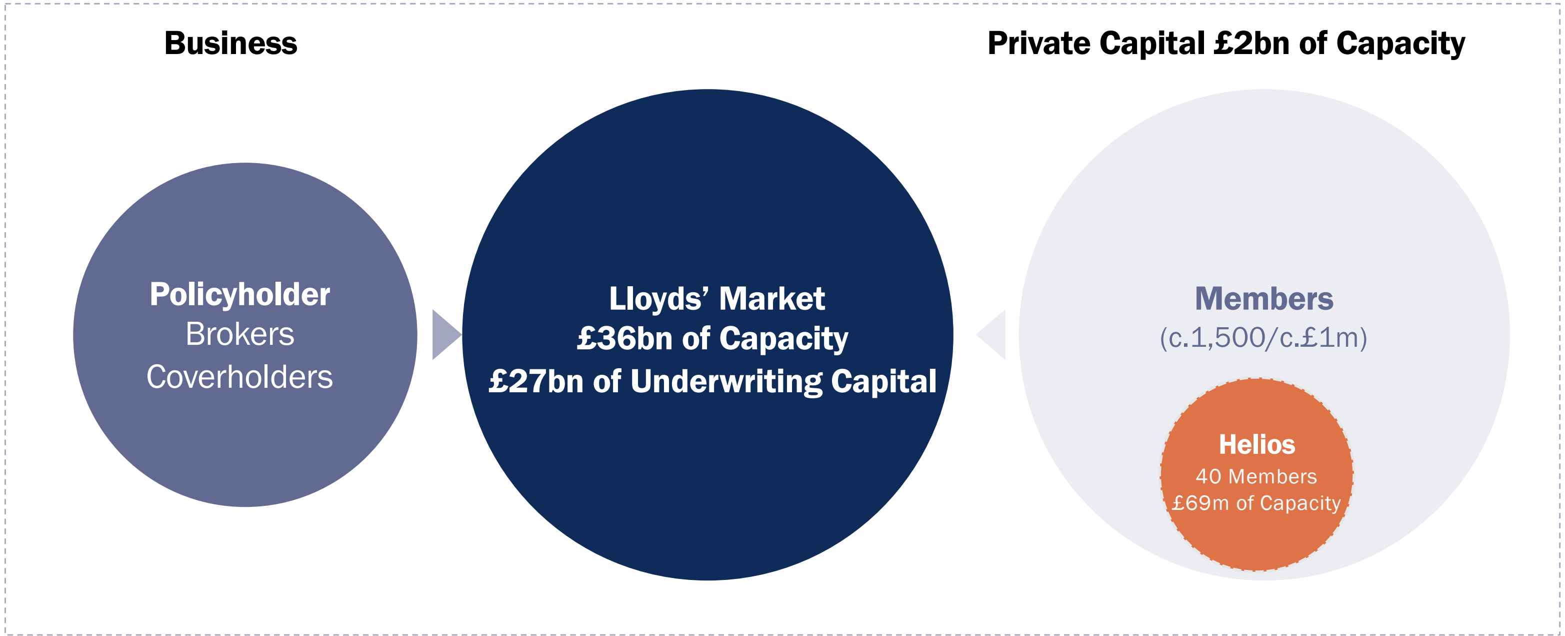
Nigel was appointed CEO in October 2012. He joined Lloyd's in 1979 as an external member and became a Lloyd's broker in 1982. He later moved to the Members' Agency side, latterly becoming Chief Executive and then Chairman of Hampden Agencies Limited. He serves on the board of the Association of Lloyd's Members and was elected to the Council of Lloyd's for the "Working Names" constituency, serving on that body between 1999 and 2001 and then 2005 to 2008, as well as participating on the Market Board and other Lloyd's committees. In December 2009 he ceased being Chairman of Hampden and in 2011 acquired a majority stake in HIPCC, a Guernsey cell Company, formerly wholly owned by Hampden plc. Nigel and/or his direct family underwrite at Lloyd's through three LLV's .

Arthur Manners
Finance Director

Arthur has over 20 years' experience in the insurance industry. He has been a consultant to Helios since June 2015 and joined the Board in April 2016. His role as Finance Director at Helios is part time. He previously worked for Beazley Group plc from 1993 to 2009 as Finance Director and latterly as Company Secretary. He remains Chairman of the Trustees of the Beazley Furlonge Pension Scheme. Arthur and his family underwrite at Lloyd's through an LLV.

Consolidation of Private Capital at Lloyds

Our model exploits a unique window as private capital evolves



- Addressable market of approximately £2bn – the capacity held by the remaining members
- Change of sentiment for owners of smaller LLV's. Rising costs, regulatory pressure, pressure on profit margins and a requirement to fund recent losses all causing concern for an aged investor base
- The solvency funding requirement from 2017 and 2018 losses is starting to ameliorate – releasing cash back to Helios
- Good flow of vehicles for sale – 28 sold in 2019, more expected this year

Source: Lloyd's & Members' Agents Website

Business Model Summary

To build a fund of capacity of leading syndicates at Lloyd's

Consolidation

- Combine the capacity owned by smaller Limited Liability Vehicles (LLV's) to build a capacity fund and to achieve cost efficiencies. Reinsurance capital utilised to enhance pace of growth and reduce risk.

Value Drivers

- Ownership of 100% of the capacity fund
- By retaining 30% of the underwriting risk
- Ability to buy assets at below fair value

Pivot to Income Fund

- Significant future dividend income stream through double use of assets and low correlation of risk inherent in a fund of Lloyd's underwriting capacity

High quality underwriting portfolio

Top seven holdings by Managing Agent comprise 76% of the 2020 portfolio

Syndicate	Managing Agent	Capacity	Total
		£000s	%
510	Tokio Marine Kiln Syndicates Ltd	13,077	19%
623	Beazley Furlonge Limited	9,572	14%
33	Hiscox Syndicates Limited	8,358	12%
2791	Managing Agency Partners Limited	6,298	9%
609	Atrium Underwriters Limited	5,717	8%
5886	Blenheim Underwriting Limited	5,333	8%
218	ERS Syndicate Management Ltd	5,115	7%
Subtotal		53,470	76%
Other		16,730	24%
Total		**70,200**	**100%**

- For the closed years of account 2013 – 2017 – the Helios portfolio outperformed the Lloyd's Market result by an average of 7% per year
- Aggregate added value of £18m generated in excess of average Lloyd's Market result – equivalent to 100p per share in 7 years.
- Other syndicates supported include: Meacock 727, Nuclear 1176, Cathedral 2010, Beazley Tracker 5623

Results to 31st December 2019

	Year to 31st December		
	2019	2018	2017
Underwriting profits (£'000's)	3,261	782	183
Other Income (£'000's)	2,557	1,879	1,278
Costs (£'000's)	(3,391)	(2,054)	(1,867)
Profit for the year before impairment (£'000's)	2,426	608	(406)
Adjusted net asset value per share (£)	2.06	1.90	1.60
Value of Capacity Fund (£m)	26	21	13
Capacity Fund (£m)	69	53	41

Commentary

- Profit before impairment of £2,426,000 (2018: £608,000)
- The adjusted net asset value per share is £2.06 per share (2018: £1.90 per share)
- Increased underwriting profits reflect improved underwriting conditions and higher investment returns at syndicate level
- The gain on bargain purchases, acquiring assets at below their fair value, contributed £1.7m to operating profits (2018: £1.2m)
- The increase in costs reflects the foreign exchange losses on US$ as opposed to FX gains in the comparable period
- The value of the fund increased to £26.4m, an increase of 28%
- Pre-emption capacity acquired for no cost increased the value of the portfolio by £2.5m
- In view of the COVID-19 uncertainty, no final dividend is being recommended (2018: 3.0p)
- Too early to quantify COVID-19 impact but is expected to fall mainly on 2019 year of accounts

Value drivers for Helios

Capacity Fund	Changes in Capacity Value Fees & PC from reinsurers	28% increase in capacity value to £26.4m Pre-emption capacity - £2.5m £0.2m fees & £0.6m sale of capacity
30% of underwriting profits	30% share of underwriting profits Profits roll up from acquisitions	U/wing profits - £3.2m
Acquiring assets at below fair value	Acquisition Activity – Typically acquire below fair value Corporate / Administration	Acquiring assets at below fair value – Negative G'will £1.7m Corporate costs – (£2.3m)

From Financial Statements – 2018

Covid–19, Current Market Conditions and Risk Management

Too early to quantify COVID-19 impact but is expected to fall mainly on 2019 year of accounts

Covid 19

- The COVID-19 coronavirus pandemic will be a manageable loss for the insurance industry unless there is some kind of structural change to drive the cost to the sector much higher
- Losses for event cancellation and Business Interruption have been identified and reserves to be lodged at Lloyd's shortly
- Disputes over Business Interruption coverage largely outside Lloyd's
- Other classes – such as Liability exposures – will take many months to be identified
- On-going re-underwriting of portfolios underway to mitigate exposures

Market conditions

- The current turmoil is happening against the backdrop of the greatest momentum we have seen in (re)insurance pricing for many years
- The improvement in underwriting conditions is now accelerating on top of aggregate rate increase during 2019 of 5.4% (2018: 3.5%) following catastrophe losses in 2017, 2018 and 2019.
- Further pre-emptions expected from supported syndicates to take advantage improved market conditions

Risk Management

- The purchase of quota share reinsurance cedes 70% of the risk on the younger or "on-risk" years, which has remained consistent for the last three years
- Helios purchases stop loss reinsurance for its 30% share of the portfolio with an indemnity of 10% of its share of the capacity and a claim can be made if the loss for the year of account at 36 months exceeds 5% of capacity.
- In addition to the current funds lodged at Lloyd's, Helios has available the following facilities to provide additional resources to fund the necessary capital requirements:
    - A bank revolving credit bank facility of £4m of which £2m has been drawn down, and
    - The stop loss reinsurance contracts for the 2019 and 2020 years of account could provide additional underwriting capital of approximately £5m.
    - This available underwriting capital represents 20% of the portfolio's current economic capital requirement (ECR)

Helios – Summary Funding as at 31 Dec 2019

Current Funding of Helios

Gross Capital Current Funding

	£000'S	**% of Book Value**
Capacity Value	26,350	77%
Helios Funds at Lloyds	16,288	27%
Helios other assets	-6,550	-11%
Adjusted Net Assets	36,088	59%
ANAV per share	2.06	
Reinsurance Capital		
Commercial Reinsurers	**20,663**	34%
High Net Worth Investors	4,000	7%
	24,663	41%
Gross Capital	60,752	100%
Book Value	34,402	

Helios Shareholders

Shareholder	**Shares '000s**	**% Holding**	**Market Value £000's**
Will Roseff	5,188	30%	5,188
N J Hanbury	4,028	23%	4,028
Other Shareholders	8,262	47%	8,262
	17,478	100%	17,478
Share Price			1.00
Current Discount to Adjusted Net Assets			52%

Summary

With the prospect of improving underwriting returns Helios is well placed to deliver value to shareholders in the future.

The Company is in a good position as:

Protection for Covid-19 Loss

- Reinsurance structure to reduce exposure to underwriting risk
- Stop Loss will mitigate the down side excess 5% loss on capacity for 2019 and 2020 years and provide additional underwriting capital

“Hard market” underwriting conditions

- We are now in a hard market, not just rates but terms and conditions
- Flow of business to London is increasing fast. ILS trapped capital has reduced capital available in the reinsurance market raising cost of reinsurance leading to greater pressure to increase “insurance rates”
- Covid fears – the “Liability Tail” from Covid and following the recession will result in claims in classes such as D&O, Professional Indemnity, Employers Practice – all will take time to materialise and quantify

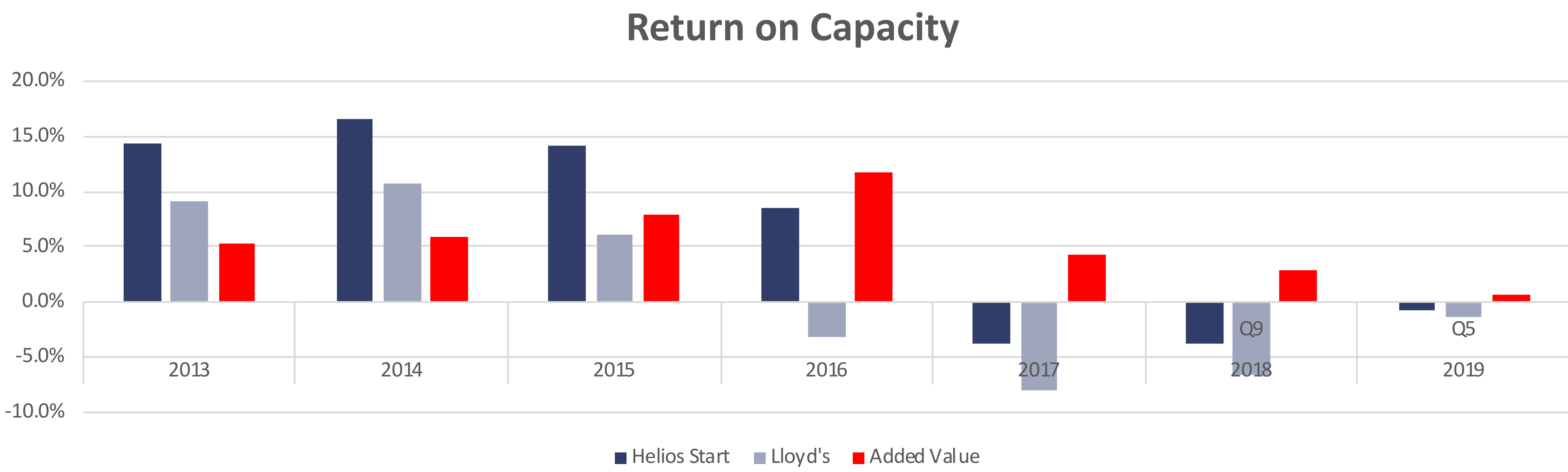
Our size allows us to pull levers that can manage risk and reward to optimise returns.

Not available to smaller private investors

Appendix

Additional information on Helios

Helios' Year of Account results 2013-2019 v overall Lloyd's Market showing added value



YOA %	2013	2014	2015	2016	2017	2018 Q9	2019 Q5
Helios Start	14.4%	16.6%	14.1%	8.6%	-3.7%	-3.7%	-0.7%
Lloyd's	9.1%	10.7%	6.2%	-3.1%	-8.0%	-6.6%	-1.4%
Added Value	5.3%	5.9%	7.9%	11.7%	4.3%	2.9%	0.7%

Note: Helios return based on capacity at the start of the underwriting year excluding capacity acquired subsequently

- Aggregate added value of £18m generated in excess of average Lloyd's Market result – equivalent to 100p per share in 7 years.

Summary Financial Information

31st Dec	2012	2013	2014	2015	2016	2017	*2018*	*2019*
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	*£'000's*	*£'000's*
Capacity Value per £ of capacity	0.24	0.37	0.36	0.42	0.46	0.32	*0.39*	*0.38*
NTA Per Share	0.69	0.63	0.81	0.89	0.94	0.71	*0.47*	*0.56*
Capacity per share	0.38	0.78	0.86	1.12	1.02	0.89	*1.43*	*1.50*
Adjusted Net Asset Value	1.07	1.42	1.67	2.01	1.96	1.60	*1.90*	*2.06*
Growth in Value		33%	18%	20%	(2%)	(19%)	*19%*	*8%*
Share Price as at 31st Dec - £	1.00	1.50	1.40	2.00	1.45	1.35	*1.31*	*1.33*
Discount to ANAV	-6%	6%	-16%	-1%	-26%	-15%	*-31%*	*-35%*
Earnings per share	9.92	8.57	24.11	9.67	6.22	(4.8)	3.1p	24.64p
Dividends per share								
Basic		1.5	1.5	1.5	1.5	1.5	1.5	-
Special		3.0	3.6	3.5	4.0	-	1.5	-
		4.5	5.1	5.0	5.5	1.5	3.0	-
Yield		3.0%	3.6%	2.5%	3.8%	1.1%	2.3%	

- Capacity values now at similar levels to 2013 – 2015
- Each 10% reduction in the capacity values at the 2020 auctions will reduce the ANAV by approx. 15p per share. Any reduction in the value will be mitigated by any pre-emption capacity on syndicates that have a value at auction that is offered and taken up for nil value.

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Shareholders

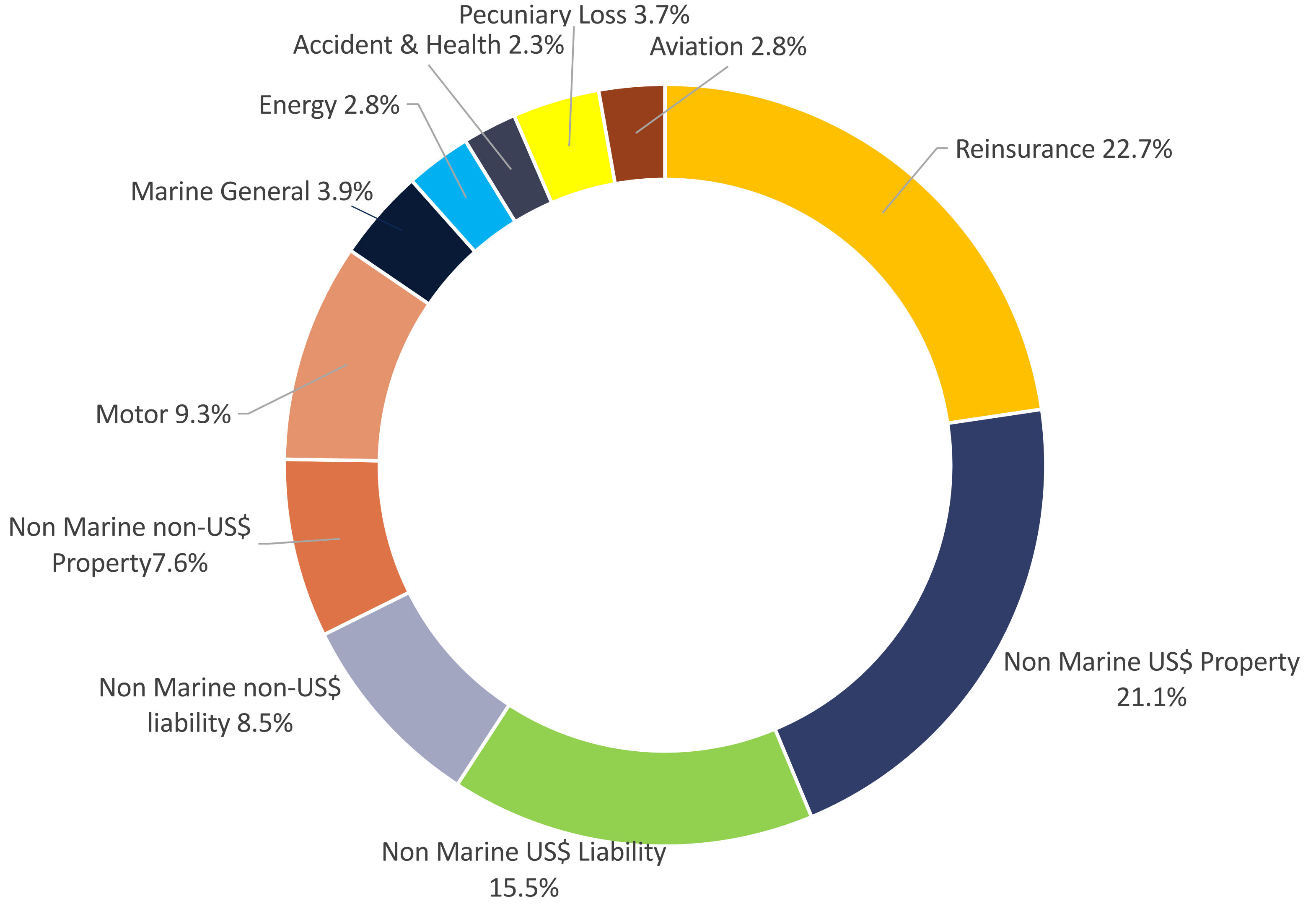
- Helios Underwriting Plc has 18,390,906 ordinary shares of £0.10 in issue, including 412,878 ordinary shares which are held in treasury. There are therefore 17,978,028 ordinary shares carrying voting and there are no restrictions on transfer.

Significant Shareholders	Shareholding	Percentage of voting rights
Will Roseff	5,187,695	28.9%
N J Hanbury (either personally or has an interest in)*	4,327,640	24.1%
Hampden Capital Plc	1,214,560	6.8%

Directors		
N J Hanbury (either personally or has an interest in)	4,327,640	24.10%
Edward Fitzalan Howard, Duke of Norfolk	372,864	2.10%
Arthur Manners (either personally or has an interest in)**	362,292	2.00%
Jeremy Evans	66,483	0.40%
Michael Cunningham	78,698	0.40%
Andrew Christie	31,096	0.20%

- * 300,000 of Nigel Hanbury's shares are jointly owned in accordance with the Company's Joint Share Ownership Plan, as detailed in the announcement made by the Company on 14 December 2017.
- ** 200,000 of Arthur Manner's shares are jointly owned in accordance with the Company's Joint Share Ownership Plan, as detailed in the announcement made by the Company on 14 December 2017.

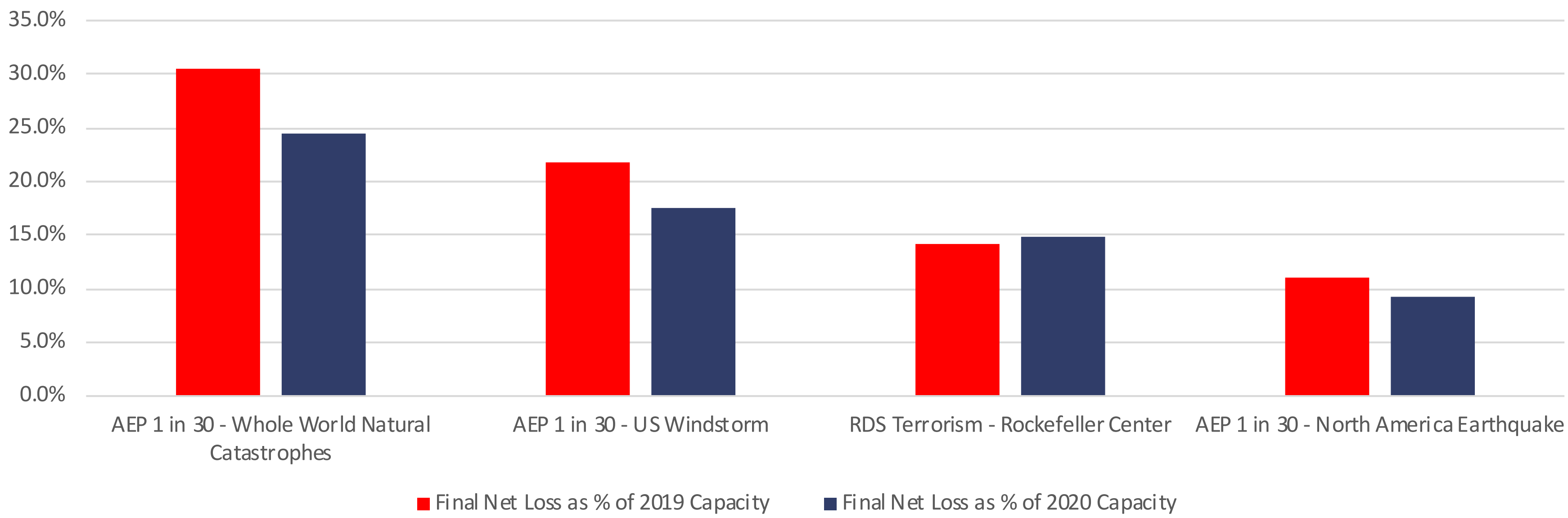
Categories of business for 2020 (%)



Source: Helios/ Hampden Underwriting Research

Net realistic disaster scenarios for Helios' 2020 portfolio

Loss as % of capacity gross of all quota share reinsurance arrangements



Notes : The chart only shows the top net losses, not all Catastrophe risk scenarios RSs. The AEP (Aggregate Exceedance Probability) 1 in 30 figure is the weighted average of each syndicates' 1 in 30 projections which serves as a guide to the portfolio aggregate though the correct approach would involve combining the underlying distribution curves which are not provided in the Syndicate Business Forecasts. The aggregate AEP also does not factor in diversification.

Source: Hampden Underwriting Research

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