

Group Solvency and Financial Condition Report

For the year ended 20 February 2024

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Summary

This Solvency and Financial Condition Report (“SFCR”) covers the Business and Performance of The United Kingdom Mutual Steam Ship Assurance Association Limited (“UKC” (solo basis) and “the Group”). It also covers the System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management.

The ultimate Administrative Body that has the responsibility for all of these matters is the Board of Directors, with the help of various governance and control functions that it has put in place to monitor and manage the business.

The Group’s internal model has been approved for the calculation of the underwriting risk elements of the Solvency Capital Requirement (“SCR”) with the remainder calculated using the standard formula.

Tables 1-3: Business and performance summary

Performance Indicator (GAAP basis) Amounts in US\$000	2024	2023
Combined ratio	106.6%	104.5%
Investment result	77,075	(43,266)
Total comprehensive income / (loss) after tax	53,015	(57,861)

Consolidated (SII basis) Amounts in US\$000	2024	2023
Eligible Own Funds	698,414	635,762
SCR	314,068	317,731
Capital Adequacy Ratio	222%	200%
MCR	80,675	76,053
Capital Adequacy Ratio	670%	627%

Solo (SII basis) Amounts in US\$000	2024	2023
Eligible Own Funds	682,048	605,576
SCR	282,388	256,965
Capital Adequacy Ratio	242%	236%
MCR	70,597	64,241
Capital Adequacy Ratio	766%	743%

The Eligible Own Funds includes an allowance for Ancillary Own Funds (“AOF”) available to the Group as approved by the regulator.

Directors' Statement

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

- a. throughout the financial year in question, the Group has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
- b. it is reasonable to believe that the Group has continued so to comply subsequently and will continue so to comply in future.



Director
Andrew J Taylor



Director
Nigel De Silva

For and on behalf of The United Kingdom Mutual Steam Ship Assurance Association Limited

27th June 2024

Auditor's Report

Report of the external independent auditor to the Directors of The United Kingdom Mutual Steam Ship Assurance Association Limited pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms.

Report on the Audit of the relevant elements of the Group Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by The United Kingdom Mutual Steam Ship Assurance Association Limited ('UKC') and its subsidiaries (together 'the Group') as at 20 February 2024:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of The United Kingdom Mutual Steam Ship Assurance Association Limited as at 20 February 2024, (**'the Narrative Disclosures subject to audit'**);
- Group templates S.02.01.02, S.23.01.22, S32.01.22 (**'the Group Templates subject to audit'**); and
- UKC Company templates S.02.01.02, S17.01.02, S.23.01.01, S28.01.01 (**'the Company Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the Group Solvency and Financial Condition Report'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- information contained within the relevant elements of the Group Solvency and Financial Condition Report set out about above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group Solvency and Financial Condition Report;
- Group templates S.05.01.02, S.05.02.01, S.25.02.22, S.25.03.22;
- UKC Company templates S.05.01.02, S.05.02.01;

- the written acknowledgement by management of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report (**‘the Responsibility Statement’**);
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations. **‘the sectoral information’**.

To the extent the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group Solvency and Financial Condition and the relevant templates of the Group and UKC as at 20 February 2024 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determination.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report section of our report. We are independent of UKC and the Group in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report in the UK, including the FRC’s Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the SFCR, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the SFCR is appropriate. Our evaluation of the Directors’ assessment of the Group’s ability to continue to adopt the going concern basis of accounting included:

- Review of the latest available Own Risk and Solvency Assessment (‘ORSA’) return to ensure compliance with regulatory solvency requirements, noting the Company to be in excess of the minimum solvency requirement;

- Checked the solvency through reference of sufficiency of assets to meet liabilities and the adequacy of regulatory capital;
- Review of the Group's budget for the next 12 months considering the validity of assumptions made; and
- Enquiries of the Directors and scrutiny of management information, board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Group's ability to continue as a going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the Group SFCR is authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' section of the Group Solvency and Financial Condition Report, which describes the basis of accounting. The Group Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Group Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Group Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Group Solvency and Financial Condition Report does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Group Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Group Solvency and Financial Condition Report or a material misstatement of the Other

Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based as detailed below:

Modifications

- Permission to publish a Single Group-wide SFCR
- Permission for reduced quarterly reporting

Approvals

- Approval of items of ancillary own funds
- Approval to use a full or partial internal model

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Group Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory framework applicable to the Group's operations and the control environment in monitoring compliance with laws and regulations;

- Review of correspondence with the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA');
- Review of the assumptions and methodology applied by the Group in the valuation of the Best estimate to consider whether the methods utilised are in compliance with Technical Actuarial Standards (TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance), using our actuaries as auditors experts;
- Enquiries of management;
- Review of minutes of board meetings throughout the period; and
- Agreement of the Group SFCR to underlying supporting documentation.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Group Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Group Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>

Other Matters

The Group and UKC have authority to calculate their Group Solvency Capital Requirement and Company Solvency Capital Requirement using a partial internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Group's or UKC's application or approval order.

Report on Other Legal and Regulatory Requirements.

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Chapter of the PRA Rulebook, the sectoral information has been properly compiled in accordance with

the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Group's and UKC's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DocuSigned by:

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Thomas Reed (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker St,
London
W1U 7EU

03 July 2024

Appendix – relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit

Group internal model

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.02.01.02:
 - Row R0550: Technical provisions – non-life (excluding health) – risk margin
 - Row R0590: Technical provisions – health (similar to non-life) – risk margin
 - Row R0640: Technical provisions – health (similar to life) – risk margin
 - Row R0680: Technical provisions – life (excluding health and index-linked and unit-linked) – risk margin
 - Row R0720: Technical provisions – Index-linked and unit-linked – risk margin

- The following elements of Group template S.23.01.22:
 - Row R0020: Non-available called but not paid in ordinary share capital at group level
 - Row R0060: Non-available subordinated mutual member accounts at group level
 - Row R0080: Non-available surplus at group level
 - Row R0100: Non-available preference shares at group level
 - Row R0120: Non-available share premium account related to preference shares at group level
 - Row R0150: Non-available subordinated liabilities at group level
 - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
 - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
 - Row R0210: Non-available minority interests at group level
 - Row R0380: Non-available ancillary own funds at group level
 - Rows R0410 to R0440 – Own funds of other financial sectors
 - Row R0680: Group SCR
 - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
 - Row R0750: Other non available own funds

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo partial internal model

The relevant elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.02.01.02:
 - Row R0550: Technical provisions – non-life (excluding health) – risk margin
 - Row R0590: Technical provisions – health (similar to non-life) – risk margin
 - Row R0640: Technical provisions – health (similar to life) – risk margin
 - Row R0680: Technical provisions – life (excluding health and index-linked and unit-linked) – risk margin
 - Row R0720: Technical provisions – Index-linked and unit-linked – risk margin

- The following elements of template S.17.01.02:
 - Row R0280: Technical provisions calculated as a sum of BE and RM – Risk margin
 - Rows R0290 to R0310 – Amount of transitional measure on technical provisions

- The following elements of template S.23.01.01:
 - Row R0580: SCR
 - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

- The following elements of template S.28.01.01:
 - Row R0310: SCR

Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

A. Business and Performance

A.1. Business

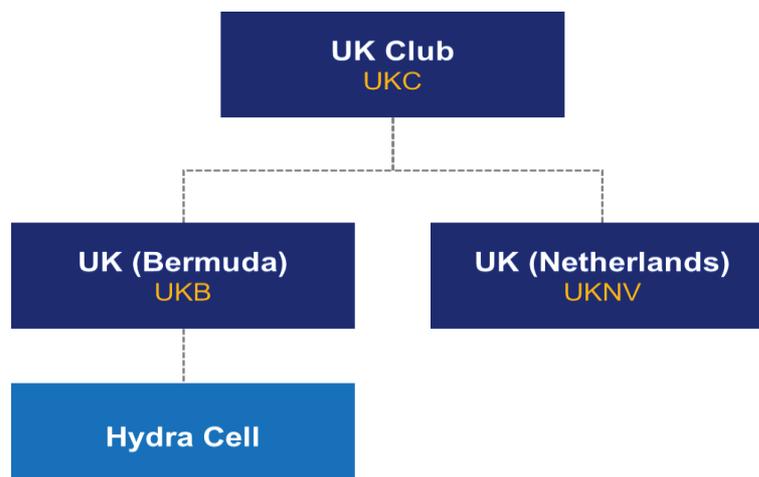
Corporate information

The United Kingdom Mutual Steam Ship Assurance Association Limited (“UKC”) is incorporated in the United Kingdom as a company limited by guarantee without share capital.

UKC is the parent company of the Group, which writes predominantly Marine Protection and Indemnity (“P&I”) risks.

Group structure

The principal activity of the Group during the year was the insurance and reinsurance of Marine P&I risks on behalf of its Members. The Group operates as a single business, but has the following corporate structure.



- **The United Kingdom Mutual Steam Ship Assurance Association Limited (UKC)** writes all of the Club’s direct business either directly (through branches in Hong Kong, Singapore and Japan), through a delegated authority arrangement with Thomas Miller Specialty, or via a reinsurance arrangement with UKNV.
- **The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited (UKB)** reinsures 90% of UKC’s business (net of external reinsurances).
- **UK P&I Club N.V. (UKNV)** was established in order to continue to operate throughout the European Economic Area EEA. UKNV also provides a fronting solution for a number of other mutual insurance companies managed by Thomas Miller. This business is 100% reinsured back to the fronted insurer so that UKNV does not retain any of the risk.
- **Club’s Hydra Cell** – The Club owns, together with other members of the International Group (IG), a reinsurance captive in the form of a segregated cell company in Bermuda, Hydra Insurance Company Limited. The Club owns 100% of its own cell and this cell is included in the Club’s consolidated financial statements.

Under Solvency II valuation requirements, Hydra is treated as a third party reinsurer. Therefore the Group's interest in Hydra is not consolidated in the Solvency II balance sheet, but treated as an investment.

In addition, the Club contains two dormant subsidiaries:

- **The United Kingdom Mutual Steam Ship Assurance Association (London) Limited (UKL)** is a subsidiary of UKC; and
- **International P&I Reinsurance Company Limited (IPIR)** is a subsidiary of UKB.

The Group has received a waiver from the PRA to present a single Group SFCR that incorporates the results of both the Group and UKC. The main part of this SFCR presents the Group results, unless otherwise stated. The results of UKC on a solo basis are detailed in Appendix 1.

Other information

The authority responsible for the financial supervision and review of the SFCR of the Group is the Prudential Regulatory Authority which is located at 20 Moorgate, London EC2R 6DA, United Kingdom.

UKB is regulated by the Bermuda Monetary Authority ("BMA") which is located at BMA House, 43 Victoria Street, Hamilton, HM12, Bermuda.

UKNV is regulated by De Nederlandsche Bank ("DNB") which is located at Postbus 98, 1000 AB Amsterdam, Spaklerweg 4, 1096 BA Netherlands.

The external auditor of the Group is BDO LLP which is located at 55 Baker Street, London, W1U 7EU, United Kingdom.

A.2. Underwriting performance

Underwriting performance measures

The Group's target is to call sufficient premium to cover its claims and expenses as measured by the combined ratio. Since claims vary from one year to another, the Group considers performance against this target over the medium term by monitoring the average financial year combined ratio.

To achieve the combined ratio target, the Group focuses on disciplined underwriting based on appropriate risk selection as informed by a thorough understanding of risk.

The Group employs techniques such as programmes for loss prevention and efficient reinsurance purchase to manage the risk accepted.

The appendices to this report includes S.05.02.01 which includes a geographical split of the Group's business based on the country in which the Member is located.

The Group mainly operates the line of business: P&I insurance for the shipping community. However, the Group also fronts business (mostly professional indemnity insurance) on behalf of a number of other mutual insurance companies managed by Thomas Miller (the Group's manager). This business is 100% reinsured back to the fronted company, so that the Group does not retain any of the risk.

Recent Underwriting performance

The Club aims to maintain breakeven underwriting over the medium term by calling sufficient premium to cover claims and expenses incurred. Following several years of premium reductions across the market, rates across the sector have recovered over the past couple of years through general increases broadly applied across the market.

The GAAP combined ratio of 106.6% reported this year represents a slight deterioration over last year's result but is in line with the Club's financial forecast.

Table 4: Recent underwriting performance (GAAP)

Amounts in \$000	2024	2023
Income		
Gross premium earned	536,191	475,995
Outward reinsurance premiums	(181,031)	(172,035)
Net earned premium	355,160	303,960
Other insurance income	3,254	3,618
Investment return transferred from the non-technical account	77,075	(43,266)
Total income	435,489	264,312
Expenses		
Net claims paid	(276,946)	(257,813)
Change in provision for claims	(27,195)	7,904
Net claims incurred	(304,141)	(249,909)
Net operating expenses	(77,901)	(71,360)
Total expenses	(382,042)	(321,269)
Balance on technical account (before tax)	53,447	(56,957)

The overall premium increase achieved at the recent renewal will further address the historical underwriting deficit. Entered tonnage at renewal grew in line with overall world fleet growth and Members continue to support the Club with a strong pipeline of new tonnage committed to attach during the policy year.

Total expenses have increased in tandem with the level of fixed premium business.

The overall surplus was transferred to free reserves.

A.3. Investment performance

In accordance with the investment policy, the investment mandate is updated on a regular basis. The asset allocation established within the mandate is principally determined to ensure that future cash flows arising from liabilities (principally claims reserves) are matched by available assets of the correct currency and duration. Effective risk management is therefore the principal driver of investment allocation.

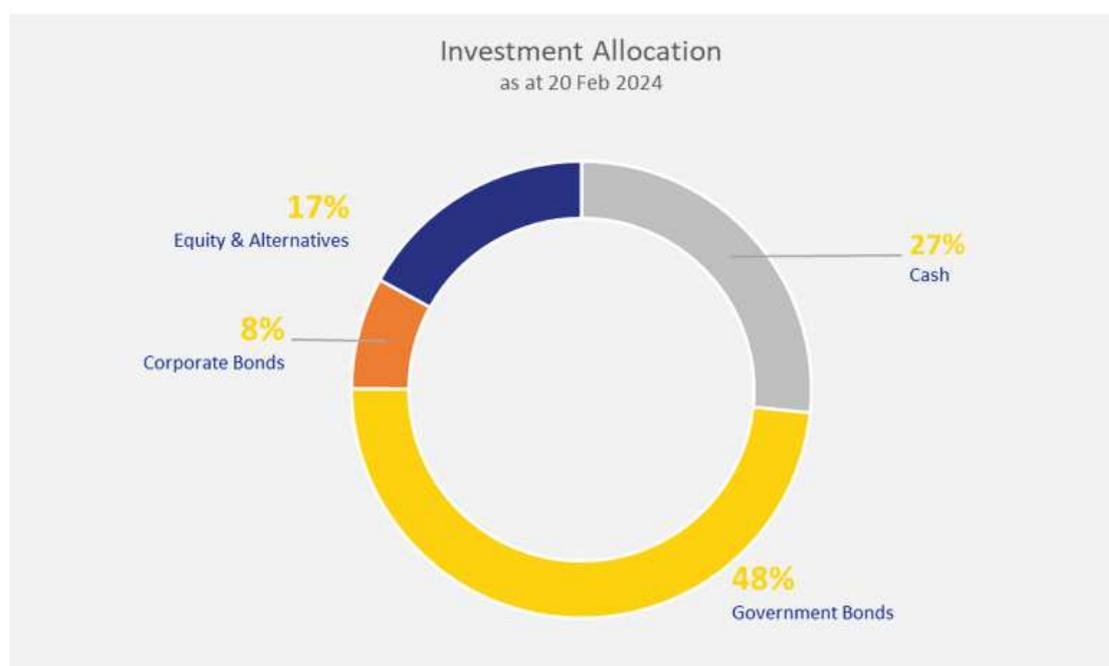
Having established a matched portfolio, limited investment risk is accepted to achieve the best return available from the surplus assets.

Some factors that may influence future investment return are:

- Market performance – as affected by macro-economic, political or other factors
- Capital allocation and risk profile – determining the risk accepted into the portfolio
- Portfolio management – including asset allocation (both strategic and tactical)

Asset allocation

The following graph provides the breakdown of the investment portfolio.



Investment performance

The total portfolio returned a \$77.1 million profit (2023: \$43.3 million loss) (including currency gains/losses) over the 2023/24 financial year. Investment returns per the financial statements are further detailed in the table below:

Table 5: Investment performance as disclosed within the financial statements as at 20 February (GAAP)

Year-ending Feb 2024	Income	Net Realised Gains/(Losses)	Net Unrealised Gains/(Losses)	Total Investment Return
Equity and Debt securities	18,931	8,752	41,834	69,517
Cash and Cash equivalents	13,475	-	-	13,475
Other Investment Charges	(5,917)	-	-	(5,917)
Total Net Investment Return	26,489	8,752	41,834	77,075

Year-ending Feb 2023	Income	Net Realised Gains/(Losses)	Net Unrealised Gains/(Losses)	Total Investment Return
Equity and Debt securities	12,798	(9,126)	(45,322)	(41,650)
Cash and Cash equivalents	3,159	-	-	3,159
Other Investment Charges	(4,775)	-	-	(4,775)
Total Net Investment Return	11,182	(9,126)	(45,322)	(43,266)

A.4. Performance from other activities

As noted in A.2. the Group's activities relate to its core insurance business.

A.5. Any other information

Nothing to report

B. System of Governance

B.1. General Information on the System of Governance

B.1.1. Overview

The Board of UKC, as the ultimate parent undertaking, directs and has responsibility for all activities of the Group. The Board of UKC consists of four shipowner Directors, three specialist Directors and two Managers with executive responsibilities.

The Board has outsourced the day to day management of the Group to a third party, Thomas Miller P&I Ltd (Thomas Miller (Bermuda) Ltd for UKB and Thomas Miller B.V. for UKNV), or “the Managers”.

The Board consider that the System of Governance is appropriate for the nature, scale and complexity of the inherent risks facing the Group.

Several committees support the Board as discussed below.

B.1.1.1. Committee Structure

The Members’ Committee (“MEMCO”)

MEMCO provides a forum for Members to play an enhanced role in the governance of the Club in relation to mutual Member issues and provides Members’ perspective on matters which are relevant to the business of the Club.

Group Audit & Risk Committee (“GARCO”)

GARCO is responsible for monitoring the risk management system and internal control framework against the Board’s risk appetite and policies. GARCO directs the internal audit function and oversees the external audit function to gain assurance over significant risks.

Nominations Committee (“NOMCO”)

NOMCO makes recommendations regarding the appointment of new Directors and the composition of committees and subsidiary boards to ensure that the Board continues to be composed of suitably qualified and skilled individuals.

Investment Committee (“IVCO”)

IVCO makes recommendations to the Board in respect of the Investment Mandate and reviews in detail the performance of the investment portfolio.

Ship & Membership Quality Committee (“QUALCO”)

QUALCO provides the Board with advice regarding the criteria used to establish the suitability of Members. QUALCO also considers whether individual ships or fleets meet the underwriting criteria.

Strategy Committee (“STRATCO”)

STRATCO assists the Board in formulating strategy and providing reports and recommendations on strategic issues and any other issues affecting the Group. The Committee meets on an ad-hoc basis and specifically conducts an annual review of a strategic risk assessment and a review of strategy.

B.1.1.2. Key Functions

The Managers

The Group has no direct employees, except one within the Japan Branch and as such, the Board relies on the Managers for day-to-day management duties.

The Investment Managers

Investment of the Group's funds is conducted by the Investment Managers in accordance with the Board's Investment Policies and is subject to internal compliance procedures.

B.1.2. Remuneration

The Group mainly outsources executive matters to the Managers in accordance with the Management Agreements. The Managers operate a formal performance and merit-based remuneration policy aimed at paying competitive and appropriate remuneration consistent with the long-term interest of the business.

The Group's Remuneration Policy sets out how the Managers are remunerated under a management fee agreement. The Board agrees this periodically.

B.1.3. Related party transactions

As a mutual, its Members control the Group. All mutual policyholders of UKC and UKNV are also Members of UKC Group. Consequently, there are insurance transactions between related parties, but these are the only transactions between the Group and its Members.

All of the shipowner Directors are representatives of Member companies and have no financial interests in the Group, other than the insurance of their ships entered in the Group, which is arranged on an arm's length basis and the Member interests of their companies.

B.1.4. Board remuneration

Directors are paid an annual fee and an attendance fee for each meeting. There are no variable components to the Directors' remuneration.

B.2. Fit and Proper Requirements

The Group has in place a Fit & Proper Policy that sets out its approach to the fitness and propriety of the persons responsible for running the Group, including executive senior management and key function holders.

All persons within the scope of the Group's Fit and Proper policy must have the professional qualifications, knowledge and experience and demonstrate the sound judgement necessary to discharge their areas of responsibility competently. They must be of good repute and demonstrate in their personal behaviour and business conduct character, integrity and honesty. As part of the assessment, consideration is given to potential conflicts of interest and financial soundness.

The Board members must collectively possess sufficient knowledge, competence and experience to direct and oversee the Group's affairs effectively.

The Managers maintain role specifications for all executive roles that are within the scope of the Fit and Proper policy, which detail the key competencies and duties for each position.

The Compliance Officer carries out fit and proper assessments annually through declarations and formally every three years. No person is permitted to undertake their own assessment.

The Group's Fit & Proper Policy applies to:

- All Directors of Group companies;
- All employees of the Managers who are members of the Thomas Miller's senior management; and
- Persons within the Managers responsible for key functions.

B.3. Risk Management System

The Group's risk management system is the same across all entities within the Group.

The Group's Risk Management System

The Group uses a Risk Management Framework to design an effective risk management system with an integrated approach to risk management and the application of the three lines of defence:

- 1st line of defence: business units and all staff not included in the second and third lines of defence, process and risk owners;
- 2nd line of defence: risk management and compliance functions; and
- 3rd line of defence: internal and external audit.

The risk management system incorporates the accurate and appropriate identification, recording, analysis, reporting and mitigation of risk. The Board has:

- a clearly defined and well-documented risk management strategy;
- adequate written policies;
- appropriate processes and procedures;
- appropriate reporting procedures;
- reports on the material risks faced by the Group and on the effectiveness of the risk management system; and
- a suitable Own Risk and Solvency Assessment (“ORSA”).

The risk management system not only covers the risks included in the calculation of the Solvency Capital Requirement but also other risks to which the Group is exposed and which are considered by the Group to be materially relevant to its business. The risk management system is consistently applied to the Group.

The Partial Internal Model (“PIM”)

The internal model is a key risk management tool within the Risk Management Framework. It has been developed by the Actuarial Function in conjunction with the Managers’ Risk Committee, which fulfils the Risk Management Function of the Group. The underwriting element of the model replaces the underwriting module of the standard formula SCR in the calculation of the Group’s SCR. As such, it is referred to as the partial internal model, or PIM. The PIM is subject to additional governance and validation requirements. The Managers’ Risk Committee is responsible for determining the scope of the internal model and the PIM.

The internal model is used to analyse the impact of any risk management decisions and changes to the risk profile falling within the scope of the model on the regulatory and internal capital requirements. In particular, the Own Solvency Needs Assessment will be calculated whenever the model is used to determine the capital implications of any changes to the risk profile. The results of these analyses are reported in the ORSA.

All uses of the model are recorded in an internal model uses log, maintained by the Actuarial Function. The Actuarial Function also carried out an annual model performance review on the PIM, with the results reported to the Managers’ Risk Committee and subsequently presented to GARCO and the Board. The review may result in decisions to change the scope of, or otherwise improve, the model.

The use of the PIM is subject to the Internal Model Governance Framework, which covers processes and controls applied. Changes to the PIM are subject to the Internal

Model Change Policy and validation is carried out in accordance with the Internal Model Validation Policy.

The risk management system also has a coherent focus on data and IT infrastructure governance and appropriate policies and standards to outline the framework within which responsibilities are exercised. It is supported by a robust internal control system and is designed to identify, measure, manage, monitor and report significant risks to the achievement of the business objectives.

Risk Management Strategy

The objectives of the Group's risk management strategy are to identify, measure, monitor, manage and report in a consistent, continuous and timely fashion, based on the Group's risk appetite as set by the Board and documented in the Corporate Plan.

The Risk Management Framework helps both support and relay the Group's business plan strategy throughout the organisation by ensuring that those factors that may advance or impede the achievement of strategic and operational objectives are managed by strong controls.

The risks to which the Group is exposed are recorded in the Business Risk Log.

Key Risks

A list of key risks has been compiled by the Board and senior management based on their experience and expert judgement in running the business. This list provides a high-level overview of the principal risks faced by the business which, individually or in combination, may have a significant, substantial or severe impact on the Group.

Implementation of the Risk Management Strategy: Risk Policies and Procedures

The Group's strategy is specified in more detail through its policies and Corporate Plan which underpin its day-to-day business. It sets out the systematic application of management policies, procedures and practices that are used to identify, manage and communicate risk to facilitate Board decision-making and to provide an effective system of risk management.

Policies have been developed for all material risks to which the Group is exposed. They define the Group's approach to risk management overall and more specifically the risk for which the policy has been written. The policies establish the controls, procedures, limits and escalation to ensure that the risks are managed in line with risk appetite. Specific procedures, where appropriate, have been developed to provide full understanding of the means by which the first and second lines of defence will implement the strategy.

The policies also include appropriate reporting procedures to ensure that information relating to the component elements of the risk management is routinely reported to GARCO and to the Board.

Risk Appetite

The Group's risk appetite is articulated in its Risk Appetite Statement, which is a document owned by the Board and reviewed on a regular basis as new risks emerge, or at least annually.

The Board bears ultimate responsibility for the management of risk and for maintaining a sound system of internal control that supports the achievement of the business strategy, policies, aims and objectives of the Group. GARCO supports the Board by providing oversight of the Risk Management Function.

Business Risk Log: Assessment, Measurement and Management

Risks to the business that could inhibit it achieving its business plan objectives are described in the Business Risk Log, together with the consequences should the risk materialise.

Emerging Risk Log

Risk Owners identify potential emerging risks which are then discussed at the Managers' Risk Committee meeting and included in an emerging risk log which is reviewed annually by GARCO.

Risk Rating

A rating for each risk is determined by assessing its probability and impact of the event if it occurs. The rating assists the Board with the prioritisation and management of risks and demonstrates the importance of the mitigation or controls in place.

The assessment of each risk is on the basis of Inherent Risk and Residual Risk after taking into account the strength of current risk management procedures in place.

All risks on the Business Risk Log are re-assessed on an ongoing basis and at least annually by the Managers and by GARCO and the Board. Each Risk Owner or function head continuously monitors the risks for which they are responsible.

Own Risk and Solvency Assessment ("ORSA")

The ORSA is the process used by the Group to manage its financial and solvency position over the period of its Corporate Plan. The ORSA Overview report is the culmination of this process into a report reviewed by the Board.

The key elements of the ORSA process are:

- An analysis of recent performance;
- Assessment of the risk profile; and
- Consideration of business planning and stress scenarios.

The ORSA overview document is produced twice each year in May and November. GARCO reviews the ORSA and recommends it for approval and use by the Board. The Board reviews and approves the ORSA and considers appropriate actions for the Group such as:

- Capital related decisions;

- Renewal considerations;
- Reassessment of risk profile and risk appetite; and
- Additional risk mitigating actions such as reinsurance.

The Board assesses the adequacy of capital over the business plan time-horizon against its risk appetite. To date these assessments indicate that the Group is adequately capitalised.

Stress and Scenario testing

Stress and scenario tests are presented within the Group's ORSA overview document and are assessed at a Group level. These are based upon the business plan and project the financials over the next four years. The solvency position is considered relative to the Group's risk appetite statement.

Risk Controls

The Group's Risk Management Framework has been developed to manage risks across the business, using internal control policies, procedures and processes to control risks.

Whereas ultimate control for each risk rests with the Board, day-to-day control is exercised by the Risk Owners unless otherwise stated, as set out in the Business Risk Log.

The appropriateness and effectiveness of controls is monitored and confirmed by Risk Owners and, for key controls, independently assessed by the Risk Officer.

Risk Mitigation

Reinsurance

One of the key risk mitigation techniques available is reinsurance. The Group considers its whole account reinsurance options leading up to a new policy year. Proposed reinsurance arrangements are analysed by the Actuarial Function, using the internal model, and the Reinsurance Committee.

International Group Pool

This can be considered to be a specialised form of reinsurance. The International Group Pool allows for large insurance risks to be shared between its 12 P&I club members. The International Group also arranges an excess of loss reinsurance programme to cover the largest risks.

Other risk mitigation techniques may be utilised from time to time, for example the use of hedging instruments to mitigate the risk of swings in foreign exchange rates.

Risk Reporting Procedures

Risk Owners are required to provide six-monthly reports on the risks for which they are responsible, based on a template of questions compiled by the Risk Officer. These reports are summarised into key themes and form the basis of an annual Risk Report to GARCO which is then escalated to the Board.

Any amendments to the Business Risk Log proposed by Risk Owners, such as changes to controls or risk descriptions or potential amendments to the ratings are discussed with GARCO for recommendation for approval by the Board.

Risk Owners also identify operational risk loss or near miss events.

Integrated and embedded into the organisational structure and decision-making processes

The Risk Management Function is fulfilled by the Risk Officer and the Managers' Risk Committee. The function maintains an organisation-wide and aggregated view of the risk profile of the Group, including monitoring risk tolerances against appetite, and advising on how risks might impact the business singly and in combination. This analysis includes stress and scenario testing.

The integration of risk management processes with business activities is performed through the requirement for business function heads, who are also risk owners, to focus on risk management on an ongoing basis whilst ensuring that the risks for which they are responsible remain within risk tolerance. This demonstrates the proactive application of risk management techniques to support the business processes and decision-making for which they are also responsible in their day-to-day insurance business activities.

B.4. Internal Control System

Internal control is defined as a continually operating process effected by the Group's Boards, GARCO, the Managers, all staff and systems and designed to support the Group in achieving its business plan objectives through efficient and effective operations and to protect its resources.

Each Risk Owner, as named in the Business Risk Log, is responsible for the application of the Internal Control Framework and the design, development, implementation, documentation and maintenance of effective internal control processes in their area and reporting thereon.

Control activities

Control activities are the actions taken or systems put in place to address business risks, protect assets and ensure that all material control failures and issues are identified and managed. The control activities are embedded into plans, policies, procedures, systems and business processes. Their effectiveness relies on the level of compliance by management and staff.

Control environment

The Managers are responsible for establishing and maintaining an effective control environment throughout the organisation. In furtherance of that, there is a culture which values the highest levels of integrity in the staff, together with openness and honesty in relation to the conduct and reporting of all activities. Policies, procedures

and processes are designed to define and support effective, efficient and appropriate activities at every level of the business.

GARCO seeks assurance and provides, through the processes set out in the Compliance policy or through internal audit, assurance to the Board that the scope and quality of compliance monitoring and reporting on regulatory compliance are sufficient to ensure the effectiveness of this Policy and of the management of regulatory compliance risk. All reviews are carried out at least annually and ad hoc as circumstances require.

Internal Audit is authorised to investigate and challenge any actions or concerns without influence from the business; be independent of operational business functions and without undue influence from the Board or other functions/management; have unfettered and direct access to all activities in its area of responsibility, including all documentation, systems, staff, Management, executive and non-executive Board members; and have direct access to the Chairman of GARCO.

Compliance function

The Board bears ultimately responsibility for Regulatory Compliance, and is supported by GARCO.

The Group takes a risk-based approach to regulatory compliance, focussing on preventing breaches to regulatory principles and other rules and informing the relevant regulators of any that are material, or must be reported to regulators on a mandatory basis.

The Compliance Function advises on and promotes compliance with applicable laws, regulatory requirements and administrative provisions and coordinates and monitors implementation of policies, processes and procedures to achieve compliance across the business, and manages regulatory compliance risk.

The impact of Regulatory developments is monitored by the Compliance function. Breaches and associated remedial action are posted to the Operational Risk Database.

B.5. Internal Audit Function

Internal Audit is (“third line of defence”) in the Group’s internal control framework, established to provide independent assurance that the systems of internal control established by management (“first line”) and the monitoring and oversight provided by the Risk Management and Compliance Functions (“second line”) are fit for purpose and operating effectively.

The objectives of the Internal Audit Function are to provide independent assurance that business risks are identified and are being well managed and controlled by effective systems of internal control.

The Internal Audit function is provided by the Managers who employ an independent Head of Internal Audit (“HIA”) who in turn reports to the Chair of GARCO. The HIA may engage third parties to conduct some audits under his/her management if it is felt that specific technical skills are required or where insufficient general audit resource is available.

Independence

The Internal Audit Function is independent from the organisational activities audited and free to exercise its assignments without impairment and on its own initiative in all areas. It is not authorised to carry out any operational work on behalf of any area of any business. The Head of Internal Audit reports directly to the Chair of GARCO.

B.6. Actuarial Function

The Board is ultimately responsible for ensuring an effective Actuarial Function. This function is performed by the Thomas Miller (“TM”) Actuarial Team, led by its Group Chief Actuary.

The Actuarial Function is independent of the Group’s management team and therefore able to undertake its duties in an objective, fair and independent manner. However, for operational purposes, the Actuarial Function is integrated into the Group’s internal control system through its role on the Managers’ committees and attendance at Board meetings.

The Actuarial Function makes a significant contribution to the Group’s Risk Management Framework by operating its capital model and running the ORSA process and related decisions.

B.7. Outsourcing

The Group outsources all functions, including controlled functions, to the Managers.

The Managers aim to provide a governance framework to facilitate the Group’s strategic plan whilst managing risks. The Managers of UKC are Thomas Miller P&I Limited (“TM P&I”). The Managers of UKB are Thomas Miller Holdings Ltd Bermuda (“TMB”). The Managers of UKNV are Thomas Miller B.V. (“TMBV”).

TM P&I operates through several committees, all of which report to the TM P&I Board. These committees include risk, finance, operations, reinsurance, data governance and credit worthiness.

The Group has in place an outsourcing policy which is directed at services or activities which are particularly important or critical to the business (“material business activities”).

A material business activity is one that has the potential, if disrupted, to have a significant impact on the business' operations or its ability to manage risks effectively.

Management outsourcing

The Group's management is outsourced to the Managers under management agreements.

In order to comply with its regulatory obligations, the Board has developed monitoring and reporting procedures which it has delegated to GARCO to monitor. The risk control and reporting procedures to be followed by the Managers form part of their obligations under the management agreement.

Delegated Underwriting Authority

The Group writes some fixed premium P&I business through a delegated underwriting authority arrangement with TMS. Much of this business is reinsured, therefore limiting the risk retained by the Club. TMS are responsible for the operational underwriting and claims functions for this portfolio and this is overseen by the Group's Managers.

Investment management outsourcing

Management of the Group's investments is outsourced to Thomas Miller Investment Limited, part of Thomas Miller, under investment management agreements.

The performance of the investment managers is monitored and supervised by the Board and its Investment Committee.

Internal audit outsourcing

The Group's internal audit function is outsourced to Thomas Miller Internal Audit. Internal Audit is supervised by GARCO and the Board.

Oversight

The Board bears ultimate responsibility for outsourced functions, services, or activities and related governance. The Board are supported by GARCO which reviews outsourcing arrangements and the Manager's Board which monitors the activities of the Group, including outsourcing.

B.8. Any Other Information

The Group considers no other information material to be disclosed.

C. Risk Profile

The key areas of risk impacting the Group can be classified as follows:

1. Underwriting risk – incorporating underwriting and reserving risk;
2. Market risk – incorporating investment risk, interest rate risk and currency rate risk;
3. Credit risk – being the risk that a counterparty is unable to pay amounts in full when due;
4. Liquidity risk – being the risk that cash may not be available to pay obligations as they fall due; and
5. Operational risk – being the risk of failure of internal processes or controls.

The Board has established its appetite for risk in relation to its business strategy and available resources. The Board seeks to maximise its resources by effective risk management techniques. Therefore, a risk management system has been developed to identify and mitigate risk.

As part of the risk management system, the Board has developed an internal model to cover underwriting risk. The model is tailored specifically to the underwriting risk accepted by the Group and therefore provides the Board with the expected outcome and risk surrounding business planning scenarios.

This allows the Board to consider more accurately the effectiveness and efficiency of risk mitigation techniques such as reinsurance. The model is designed to encompass the full spectrum of underwriting risks to which the Group is exposed.

C.1. Underwriting Risk

The Group mainly provides P&I insurance for the shipping community. However, it also fronts (mainly professional indemnity) business on behalf of a number of mutual insurance companies. This fronted business is 100% reinsured back to the fronted entity, so that the Club does not retain any of the risk.

Underwriting risk is the risk that the Group's net insurance obligations (i.e. claims less premiums) are different to expectations. The Group considers the risk of existing obligations (Reserve Risk) separately to the risk of future obligations (Premium Risk).

Reserve risk is managed by the Group's reserving policy. The Group establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions. In order to minimise the risk of understating these provisions, the assumptions made and actuarial techniques employed are reviewed in detail by management and GARCO.

The Board considers that the liability for insurance claims recognised in the consolidated statement of financial position is adequate. However, actual experience will differ from the expected outcome.

Premium risk is managed by an underwriting policy which establishes underwriting practices in order to meet business needs and satisfy regulatory control. This is supplemented with a robust forecasting approach undertaken as part of the ORSA process.

The underwriting process is based on a thorough understanding of the risk accepted. This understanding is enhanced as:

- The Group mainly operates the line of business: P&I insurance for the shipping community. While the Group also fronts business (mostly professional indemnity insurance) on behalf of a number of other mutual insurance companies (TT, ITIC, UKWR and PAMIA) managed by Thomas Miller (the Group's manager), this business is 100% reinsured back to the fronted company, so that the Group does not retain any of the risk.
- The Board and Members Committee of the Group include representatives from a cross section of the shipping community, giving insight into changes in the risks written over time.
- Underwriting authority is delegated to specific individuals, or to Thomas Miller Specialty ("TMS"), who operate under set underwriting parameters and the ongoing guidance and review of senior management.

Underwriting Risk is mitigated via the Group's reinsurance programme as discussed below.

The excess of loss reinsurance cover purchased jointly with other members of the International Group provides cover for claims arising from mutual business which exceed \$100 million up to a limit of \$3.1 billion.

The International Group Pooling agreement provides a sharing of claims costs between twelve member Clubs for claims in excess of \$10 million. The share attributable to each member is calculated for each policy year on an agreed formula including an adjustment for each Club's historic loss record on the Pool.

In addition, part of the International Group Pool (i.e. claims in excess of \$30 million) is reinsured to a captive reinsurance vehicle, Hydra. The Group has its own segregated cell within Hydra which transacts only with the Group and its subsidiaries.

The EEA fronted professional indemnity business is 100% reinsured back to the respective club and therefore there is no net underwriting risk (through there is some residual counterparty default risk).

In addition to the reinsurance purchased externally, the primary insurer, UKC reinsures 90% of its residual risks to UKB.

C.2. Market Risk

Market risk within equity investments arises through fluctuations in market valuations.

Market risk in the fixed interest investment valuations arises through changes in interest rates, corporate bond spreads and foreign currency exchange rates. Such movements will affect not only the investments, but also the value of other assets and liabilities such as premium income, claims payments and reinsurance recoveries.

The Group has an investment policy in place to manage exposure to its investments, and this is monitored by regular reports from the investment managers. Further discussion of this arrangement is provided below under the “prudent person principle”.

The prudent person principle

Under the Group’s investment policy, all of its investments are invested and managed in accordance with the ‘prudent person principle’, meaning that duties of the Investment Managers are discharged with the care, skill, prudence and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise of like character and aims. More specifically the portfolio:

- is invested in assets and instruments whose risk can properly be identified, measured, monitored, managed, controlled and reported;
- ensures the security, quality and liquidity of the portfolio as a whole;
- is appropriate to the nature, currency and duration of the Group’s insurance liabilities;
- includes derivative instruments only where they contribute to a reduction of risks or efficient portfolio management;
- includes only a prudent level of unlisted investments and assets;
- is diversified to avoid excessive reliance on any asset, issuer or group, or geographical area.

The Group’s funds are invested by the Investment Managers in accordance with parameters set by an Investment Mandate. The Investment Mandate provides a framework to the Investment Managers for the management and stewardship of the investment assets in conformity with the business and investment objectives and sets the parameters within which the Group’s assets may be invested. It is considered and approved by the Board on an annual basis and ad hoc as required and is subject to the Group’s Investment Policy. The Investment Managers report to the Board at each meeting.

Table 6: The Group's exposure to assets by currency as at 20 February 2024 as reported in its financial statements (GAAP):

Amounts in \$000	USD	GBP	EUR	Other	Total
2024					
Total Assets	1,850,709	89,580	104,053	1,340	2,045,682
Total Liabilities	(1,395,291)	(58,063)	(72,579)	(36,289)	(1,562,222)
Net Assets	455,418	31,517	31,474	(34,949)	483,460

C.3. Credit Risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

The Group's objective is to reduce credit risk through the risk management techniques discussed below:

The Group is exposed to credit risk from a counterparty failing to comply with their obligations under a contract of reinsurance. In order to manage this risk the Board considers the financial position of significant counterparties on a regular basis, the Reinsurance committee monitors aggregate exposure to each reinsurer and the Group has set selection criteria whereby each reinsurer is required to hold a credit rating greater than or equal to "A-" at the time the contract is made.

The Club fronts business on behalf of a number of other mutual insurance companies managed by Thomas Miller. This business is 100% reinsured back to the fronted company, so that the Group does not retain any of the risk. The credit risk on this business is considered to be negligible as these businesses are well capitalised and, as mutual insurers, have access to supplementary calls.

Amounts due from Members represents premium owing to the Group in respect of insurance business written. The Group manages the risk of Member default through a screening process, to ensure the quality of new entrants, and its ability to cancel cover and outstanding claims to Members that fail to settle amounts payable. The Group limits its reliance on any single Member.

Exposure to bank balances, however, is more concentrated, with two main counterparties and the risk is mitigated by placing funds surplus to normal operational requirements in money market funds and other investments.

Table 7: The Group's assets by counterparty rating as at 20 February 2024 as reported in the Group's financial statements (GAAP):

Amounts in US\$000s	AAA	AA	A	Not readily available /other	Total
2024					
Financial investments	524,694	61,350	64,942	220,695	871,681
Cash and cash equivalents	143,898	9,700	207,935	7,305	368,838
Derivative financial instruments	-	4,591	-	-	4,591
Debtors	-	-	-	122,969	122,969
Reinsurers' share of technical provisions	-	164,784	389,837	120,604	675,225
Other	1,087	1,291	-	-	2,378
Total	669,679	241,716	662,714	471,573	2,045,682

C.4. Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations as they fall due. The Group has adopted an investment policy which requires the maintenance of significant holdings in short term deposits to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand. Short term cash needs are monitored to ensure the most efficient investment of cash balances.

The following table outlines the future maturity of assets and liabilities held by the Group as reported in its financial statements:

Table 8: The future maturity of assets and liabilities held by the Group as at 20 February 2024 as reported in its financial statements (GAAP):

Amounts in US\$000s	Short term assets	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
2024						
Assets	491,365	483,859	241,266	635,070	194,122	2,045,682
Liabilities	(893)	(592,210)	(310,557)	(430,803)	(227,759)	(1,562,222)
Net	490,472	(108,351)	(69,291)	204,267	(33,637)	483,460

As further disclosed in appendix S.23.01 R0790, expected loss in future premium is estimated to be \$19.2 million. However, it should be noted that this estimated loss is based upon future cash flows as required by Solvency II and does not therefore necessarily correspond to the estimated surplus/deficit under GAAP Financial Reporting Standards ("FRS") accounting principles. Entities are required to report this figure on a gross basis. As a consequence for the Group, this figure excludes the impact of reinsurance arrangements, in particular the pooling agreement.

C.5. Operational Risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. In order to mitigate such risks all key processes and controls are documented in a procedural manual. This manual is embedded into the organisation and available to all staff.

Compliance with the procedures and controls documented within the manual is audited on a regular basis through quality control checks and the internal audit function which is directed and reviewed by GARCO. A human resource manual and including all key policies have also been documented.

The Managers are protected against loss through errors and omissions through the purchase of insurance cover. The Group therefore benefits indirectly from this cover.

C.6. Other Material Risks

The Group has not identified any other material risks that it considers necessary for disclosure.

C.7. Any Other Information

The Group considers no other information material to be disclosed.

D. Valuation for Solvency Purposes

For presentational purposes, Hydra has been deconsolidated and treated as an investment in both the Solvency II and FRS sections in all tables that follow in order to facilitate the appropriate comparison between Solvency II and FRS valuation bases.

In the Group's FRS financial statements, Hydra is consolidated in the Group result. The treatment outlined above did not have a material impact on the Group's free reserves; however, it does affect the classification of amounts. Under Solvency II Hydra is treated as a third party reinsurer and not consolidated as part of the group as further discussed in A.1.

D.1. Assets

Table 9: Valuation of Group's assets as at 20 February

Amounts in \$000	Solvency II		FRS	
	2024	2023	2024	2023
Deferred acquisition cost	-	-	14,215	14,029
Investments	1,018,852	906,843	924,219	853,776
Derivatives	4,591	4,463	4,591	4,463
Reinsurance share of technical provisions	831,121	789,491	787,554	825,388
Insurance and reinsurance receivables	48,345	37,675	100,942	148,689
Trade receivables	22,538	18,722	21,022	18,022
Cash and cash equivalents	129,788	88,248	129,788	88,248
Any other assets not elsewhere shown	2,296	374	2,295	374
Total classified under the SII allocation rule	2,057,530	1,845,816	1,984,626	1,952,989

*Restated 2023 Deferred acquisition costs, Insurance and reinsurance receivables and Trade receivables to split out balances on separate lines

The above table presents amounts using Solvency II and FRS valuation bases respectively. For classification purposes, amounts have been aggregated using Solvency II adjustment and classification methodologies.

Refer to appendix S.02.01.02 for a full Solvency II balance sheet.

The Group's assets are valued using the following principles:

Investments

Investments are carried at market value. Market value is calculated using the bid price at the close of business on the balance sheet date. The market value of foreign currency investments is translated at the rate of exchange ruling at the balance sheet date.

Fair values of investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors such as independent valuation reports.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of foreign exchange forward contracts is based on current forward exchange rates.

Hydra Insurance Company operates through several segregated cells. The Group controls one of these cells and all transactions of the cell are in respect of its business. Therefore, this Hydra cell is consolidated into the results of the Group for the purposes of the UK GAAP financial statements.

Under Solvency II valuation requirements Hydra is treated as a third party reinsurer. Therefore, the Group's interest in Hydra is not consolidated in the Solvency II balance sheet, but treated as an investment using a Solvency II valuation basis.

Reinsurance share of technical provisions

Reinsurance share of technical provisions is valued consistent with gross technical provisions. Refer to D.2. for further details.

Cash and cash equivalents

Cash and cash equivalents include cash at bank or in hand. The carrying value of these balances is considered to be a suitable proxy for fair value.

Insurance receivables

These represent balances that are due for existing insurance, reinsurance and other contracts. Due to the short term nature of these balances, the carrying amount is considered to be a suitable proxy for its fair value.

When these amounts relate to the insurance book and are not yet due for payment, they are included as a future cash flow in the calculation of technical provisions.

Under statutory accounting requirements, these balances are presented separately on the face of the balance sheet whether they are due or not yet due.

For the purposes of aggregation, deferred acquisition costs are included in insurance receivables above, however amounts relating to deferred acquisition costs are eliminated in the Solvency II balance sheet.

Non insurance receivables (trade, not insurance)

This balance includes sundry, short term receivable balances the value and settlement of which contains little to no uncertainty. Due to the short-term nature of these items, the carrying amount is considered to be a suitable proxy for its fair value.

Any other assets not elsewhere shown

These represent all asset balances not included above. These items are all of a short-term nature and as such, their carrying amounts are considered to be a suitable proxy for its fair values. There is no material differences between the valuation used for Solvency purposes and the valuation used in the Group's financial statements.

D.2. Technical Provisions

Table 10: Group’s technical provisions as at 20 February

Amounts in \$000	2024	2023
Gross best estimate	1,434,970	1,281,874
Risk Margin	28,931	46,799
Reinsurance best estimate	(831,120)	(789,491)
Net technical provisions	632,781	539,182

Technical provisions

This relates to the Group’s insurance liabilities, which mainly fall under the P&I “marine, aviation and transport” line of business under Solvency II, with fronted entities largely categorised as “general liability”. As well as claims arising from Members (direct and assumed) and fronted entities, the Group also participates in the International Group of P&I Clubs and so shares claim amounts above a certain level with other participating P&I Clubs.

Solvency II requires the technical provisions to be calculated as the sum of a best estimate and a risk margin. The best estimate is valued as the probability-weighted average of future cash flows, taking account of the time value of money, and the risk margin is calculated on a cost-of-capital basis. In addition, for the best estimate, there are three elements to consider: claims, premiums and expenses.

The calculation of the different elements of the technical provisions is discussed below.

Claims

The claims outstanding element of the technical provisions is calculated using standard actuarial techniques to project the cash flows (including chain ladder and

Bornhuetter-Ferguson methods). The key assumptions related to the initial expected claims cost for each policy year and the projected notified claims development pattern. These methods are considered appropriate given the longevity and stability of the Group and its claims handling processes.

Allowance is also made for claims on contracts bound, but for which coverage has not yet incepted (corresponding to the premium provision). These cash flows are the most uncertain element of the technical provisions. The uncertainty involved was further discussed in Section C1 on Underwriting Risk.

Premiums

The premiums element of the best estimate covers (i) the outstanding instalments of premium on expired business that are payable but not yet due on the valuation date (corresponding to the provision for claims outstanding); and (ii) the premium payable but not yet due on bound but not incepted business (corresponding to the premium provision).

Most of the Group's premium relates to policies that are coterminous with its financial year. As such, the renewal is completed and therefore bound before the financial year end. The consequence is that nearly a full year's worth of business is recognised as bound but not incepted business. However, the Club also writes fixed premium P&I policies through TMS and fronts non-P&I business through UKNV with policies which incept throughout the year. For these policies, the premium provision relates only to unearned policies which have already been bound.

Expenses

When calculating the best estimate, a provision is made for all expense cash flows incurred in servicing insurance obligations. This includes both direct and overhead expenses, as well as investment management expenses. The provision is calculated directly in respect of the provision for claims outstanding (for expired business) and a corresponding amount is derived in respect of the premium provision (for bound but not incepted business).

Risk margin

The risk margin is calculated based on the requirement to hold capital to meet the SCR until all claims liabilities are settled and a cost-of-capital rate of 4.0% per annum. The SCR in this context is made up of Underwriting Risk, Counterparty Default Risk and Operational Risk only; assets are assumed to be invested in such a way that Market Risk will be zero. A detailed analysis has been carried out to determine the run off profile of these risks. The results of this analysis have been used to project the SCRs required in future time periods.

Reinsurance recoverables

This relates to the Group's expected recoverables from its reinsurance arrangements at the valuation date. It is made up of two elements: reinsurance recoveries and reinsurance premiums. These are valued on a consistent basis with the corresponding claims and premiums elements of the technical provisions. In addition, an adjustment

is made to take account of expected losses due to default of the reinsurance counterparties.

Differences between FRS and Solvency II technical provisions

A reconciliation of FRS technical provisions to Solvency II technical provisions is provided below:

Table 11: A reconciliation of FRS technical provisions to Solvency II technical provisions as at 20 February

Amounts in \$000	Note	Gross	RI	Net
FRS technical provisions		1,451,575	675,225	776,350
Remove Deferred Acquisition Costs	1	14,215	-	14,215
Deconsolidate amounts relating to Hydra		-	112,328	(112,328)
FRS Technical provisions as per tables 9 and 12		1,465,709	787,553	678,237
Remove unearned premium provision	1	(80,241)	(55,995)	(24,245)
Adjustments to best estimate valuation basis	2	189,081	205,142	(16,061)
Reallocations from FRS balance sheet	3	(52,597)	(58,410)	(5,813)
Adjustment to expense reserve	4	23,546	-	23,546
Provision for contracts bound but not incepted	5	105,388	96,570	8,819
Reinsurance counterparty default adjustment	6	-	(11,129)	11,129
Effects of discounting	7	(215,996)	(132,611)	(83,386)
Solvency II technical provisions before risk margin		1,434,970	831,121	603,849
Risk Margin	2	28,932	-	28,932
Total Solvency II technical provisions		1,463,902	831,121	632,781

Notes:

1. Elimination of unearned amounts

Any amounts of unearned premium or deferred acquisition costs are eliminated from the Solvency II balance sheet, as all cash flows associated with unexpired risks are included in the premium provision.

2. Adjustments to best estimate valuation basis

Since the Solvency II technical provisions figure is a true best estimate, the FRS technical provisions are adjusted for the following items:

- All margins for prudence are removed;
- A provision is made for events not in data ("ENID") to represent a true average of future outcomes;
- Technical provisions are stated both gross and net of reinsurance; and
- An additional Solvency II risk margin which is intended to represent a notional market value adjustment.

3. Reallocations

This is based on the elimination of unearned premium and reallocation of various amounts from the FRS balance sheet to Solvency II technical provisions.

The Solvency II balance sheet contains no concept of deferral of premium; any such balances are eliminated upon transition to the Solvency II balance sheet.

Furthermore under Solvency II valuation methodologies, all future cash flows are included in the calculation of technical provisions. More specifically, any amount not yet due shall be included as a future cash inflow under the calculation of Solvency II technical provisions. As a result, these amounts are reallocated from the accounting balance sheet to technical provisions on the Solvency II balance sheet.

4. Adjustment to expense reserve

Unlike FRS, Solvency II recognises all expense cash flows incurred in servicing insurance obligations. This includes both direct and overhead expenses, as well as investment management expenses. As such, an adjustment is made.

5. Provision for contracts bound but not incepted

Solvency II valuation methodology requires contracts to be recognised when the insurer becomes party to the insurance contract. Usually, an undertaking becomes a party to the contract when the contract between the undertaking and the policyholder is legally formalised.

A large proportion of the Group's policies are coterminous with its financial year. The consequence is that nearly a full year's worth of business is recognised as Bound But Not Incepted ("BBNI") business. A provision on the Solvency II balance sheet, known as the "premium provision", is made for future premiums, claims and expenses that relate to BBNI business.

6. Reinsurance counterparty default adjustment

For the Solvency II balance sheet, amounts recoverable from reinsurance counterparties must be adjusted for the expected losses due to the risk of counterparty defaults. This adjustment approximates the expected present value of the losses in the event of default, weighted by the probability of default for each counterparty. Under the current accounting basis, a provision for bad debts is only made where there is objective evidence that counterparty may default on its obligation.

7. Effects of discounting

Since Solvency II technical provisions take into account the time value of money, an adjustment is made for the discounting of all future cash flows, based on risk-free interest rates. This includes an adjustment for items previously discounted at rates other than the risk-free rate.

D.3. Other liabilities

Table 12: Valuation of the Group's other liabilities as at 20 February

Amounts in \$000	Solvency II		FRS	
	2024	2023	2024	2023
Technical provisions	1,463,902	1,328,673	1,465,789	1,464,199
Derivatives	4,179	3,625	4,179	3,625
Insurance and reinsurance payables	42,810	30,424	101,219	88,840
Trade payables	5,228	6,122	5,228	6,122
Any other liabilities, not shown elsewhere	33	76	33	76
Total classified under the SII allocation rule	1,516,151	1,368,920	1,474,688	1,562,862

*Restated 2023 Insurance and reinsurance payables and Trade payables to split out balances on separate lines

The above table presents amounts using Solvency II and FRS valuation bases respectively. For classification purposes, amounts have been aggregated using Solvency II classification methodologies.

The Group's other liabilities are valued using the following principles:

Technical provisions

The valuation principles of technical provisions are further detailed in D.2.

Insurance payables

These represent balances that are due to be paid for existing reinsurance contracts.

When these amounts are not yet due to be paid, they are included as a future cash flow in the calculation of reinsurance technical provisions.

Under statutory accounting requirements, these balances are presented separately on the face of the balance sheet whether they are due or not yet due.

Non-insurance Payables (trade, not insurance)

This includes sundry, short term payable balances the value and settlement of which contains little to no uncertainty. Due to the short-term nature of these items, the carrying amount is considered to be a suitable proxy for its fair value.

Any other liabilities not elsewhere shown

All other amounts comprise balances not included in liabilities above. Due to its short-term nature, the carrying amount is considered a suitable proxy for its fair value.

D.4. Alternative methods of valuation

The Group does not utilise any alternative methods of valuation.

D.5. Any other information

The Group has not identified any other information that it considers material to be disclosed.

E. Capital Management

E.1 Own funds

Table 13: Group own funds as at 20 February

Amounts in \$000	2024	2023
SCR ratio	222%	200%
SCR	314,068	317,731
Eligible capital	698,414	635,762
Excess / (shortfall)	384,346	318,031
MCR ratio	670%	627%
Minimum Consolidated Group SCR	80,765	76,053
Eligible capital	541,380	476,896
Excess / (shortfall)	460,615	400,843
Tier 1 Basic own funds	541,380	476,896
Tier 2 Ancillary own funds	157,034	158,865

As a mutual insurer with no share capital the Group's capital structure consists of two types of own funds:

1. Accumulated income and expenditure account reserve and reconciliation reserve, which falls under Tier 1 and counts as Basic Own Funds ("BOF"). These funds may be fully utilised to meet both the SCR and MCR.
2. According to its rules, the Group is entitled to make unlimited calls for supplementary premium to be made on Members. When received, they would become Tier 1 loss absorbent BOF and therefore count as Tier 2 Ancillary Own Funds ("AOF") for regulatory solvency purposes.

The PRA has granted approval to UKC for a method of calculating AOF. Under the Solvency II regulations, up to 50.0% of the SCR may be covered by these funds. This amounted to \$157.0 million of tier 2 AOF being eligible towards SCR coverage. Absent of this requirement, the AOF calculation method would result in an amount of \$358.4 million.

As far as possible, the Group seeks to provide certainty over the insurance costs borne by Members and therefore would only make a supplementary call in extreme circumstances. These circumstances might include, but are not limited to, being unable to meet its regulatory capital requirements or other internal or external capital measures.

No items have been deducted from own funds and there are no significant restrictions affecting the availability and transferability of own funds.

Information, objectives, policies and processes for managing own funds

The Group's objective under its Corporate Plan is to maintain its total capital resources (own funds) in line with its risk appetite statement over the insurance cycle. The Group forecasts its capital over a four year planning horizon as part of its ORSA process.

Material differences between equity as shown in the financial statements and the excess of assets over liabilities

Table 14: Reconciliation of the capital reported within financial statements to that within Solvency II balance sheet as at 20 February

Amounts in \$000	2024
Financial Statements	483,460
Deconsolidation of Hydra	(75,281)
Solvency II gross technical provisions adjustment	1,887
Of which reallocations from FRS balance sheet	(52,597)
Solvency II RI technical provisions adjustment	43,567
Of which reallocations from FRS balance sheet (table 11)	58,410
Hydra valuation adjustment	96,149
Elimination of DAC	(14,215)
Total Solvency II basic own funds Tier 1 - S23.01	541,380

The most material adjustment to reserves is as a result of the differences in valuation of technical provisions and the deconsolidation of Hydra. Refer to D.1 to D.3 for a discussion of the differences between the bases.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

SCR and MCR

The table below summarises the capital requirements for the current period. Further details can be found in appendices S.25.02.21.

Table 15: Summary of capital requirements as at 20 February

Amounts in \$000	2024	2023
SCR	314,068	317,731
Made up of:		
Market risk	163,327	164,851
Counterparty default risk	80,180	91,347
Underwriting & reserving risk	119,944	119,255
Operational risk	43,049	38,456
Diversification effects	(92,432)	(96,178)
Minimum Consolidated Group SCR	80,765	76,052

The Group SCR is calculated on the basis that UKC is the ultimate parent of the Group. This is further discussed in section A.1.

The SCR has reduced slightly to \$314.1m, with a decrease in counterparty default risk, offset by increases in operational risk.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The Group does not use this sub-module.

E.4 Differences between internal model used and the standard formula

The Group has an internal model which it uses for all key decisions as part of its ORSA process. It also has approval from the regulator to use this model to calculate its SCR under Solvency II as described below.

Internal Model Scope

The standard formula is made up of four broad risk categories: underwriting risk (which includes premium risk and reserve risk), counterparty default risk, market risk and operational risk. Most of these risk categories are thought to be broadly appropriate for the Group on the grounds that the Group's exposure to these risks should not be materially different to that of a typical insurer that the standard formula was designed for.

However, as a P&I insurer, the Group's risk profile for underwriting risk is very different to that of typical insurers in the marine, aviation and transport insurance line of business. Consequently, it is inadequately reflected by the standard formula. This

is exacerbated by the fact that the standard formula does not adequately reflect the Group's reinsurance structure.

Accordingly, the Group has elected to use a partial internal model to replace the underwriting risk module of the standard formula SCR in respect of P&I business. All other risk modules within the SCR are calculated according to the standard formula. In addition, the Club is fronting some non-P&I business and the underwriting risk in respect of this business is calculated according to the standard formula. The improvements to the calculation of the underwriting risk module for P&I risks mean that the resulting partial internal model SCR better reflects the Group's risk profile.

Partial Internal Model – Underwriting Risk modelling approach

A high-level summary of the partial internal model and the modelling techniques used are outlined below.

- The Partial Internal Model is a stochastic model built using industry standard software. It is consistent with the risk measures (1-in-200 value at risk) and time period (1 year) adopted by the standard formula.
- Premium Risk – Claims are modelled separately for the key classes of business (Chartered, Owned, Pool and Non-Poolable risks). For each of these classes, claims are modelled by frequency and severity for attritional and large claims separately.
- Reserve Risk – Claims are modelled separately for the Group's key reserving classes (Chartered, Owned (including Non-Poolable) and Pool. Due to the complexities of these risks and associated reinsurance structures, standard industry methodologies (e.g. chain ladder bootstraps) are not always valid. The Group therefore uses different approaches for modelling each of these risk classes including; an in-house developed individual claims development methodology; modified chain ladder bootstraps; and scenario based approaches.

The nature and appropriateness of the data used in the internal model

The key data sources used in the model are:

- The historical exposure and claims history of the mutual and fixed-premium classes of business.
- The historical exposure and claims history of Pool claims, which is collected from all members of the International Group and collated within the International Group Data Collection Portal (DCP).

As part of the Group's Solvency II implementation project a significant level of work was undertaken in order to validate and document these data items. Various checks and controls are now carried out as part of business as usual activity, which ensure that the data continues to meet Solvency II standards in relation to completeness, accuracy and appropriateness. In addition to these ongoing controls, the key data elements used for reserving (and the Group's Internal Model) are reviewed against Solvency II standards as part of the annual Actuarial Function Data Opinion.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Group has fully complied with the SCR and MCR requirements during the period under review.

Refer to section E.2 for results of the SCR / MCR Calculations.

E.6 Any other information

The Group's own funds are fully available and transferable and therefore no deductions are required.

The Group does not apply any undertaking specific parameters within the calculation of the SCR.

Appendix I: UKC Solo information

The Group has received a waiver from the PRA to present a single Group SFCR that incorporates the result of both the Group and UKC on a solo basis. The main part of this SFCR presents the Group results, unless otherwise stated. The results of UKC on a solo basis are detailed in this appendix.

1. UKC Solo Valuation for Solvency Purposes

1.1 UKC Solo Assets

Table 16: Valuation of UKC's assets as at 20 February

Amounts in \$000	Solvency II		FRS	
	2024	2023	2024	2023
Deferred acquisition cost	-	-	8,889	8,734
Investments	488,665	410,122	148,944	128,692
Reinsurance share of technical provisions	1,310,248	1,180,244	1,266,375	1,273,680
Insurance and reinsurance receivables	39,195	28,719	69,780	117,917
Trade receivables	20,442	16,844	20,291	16,774
Cash and cash equivalents	107,856	60,952	107,856	60,981
Any other assets not elsewhere shown	1,972	206	1,972	206
Total classified under the SII allocation rule	1,968,378	1,697,086	1,624,106	1,606,984
Difference between FRS/SII	-	-	(9,443)	(9,377)
Total classified under FRS	-	-	1,614,663	1,597,607

*2023 Deferred acquisition cost has been restated to be displayed on its own line

The above table presents amounts at Solvency II and FRS valuation bases respectively. For classification purposes, an aggregated Solvency II classification of amounts has been used in order to best demonstrate any valuation differences between the two bases.

Refer to UKC appendix S.02.01.02 for a full Solvency II balance sheet.

UKC's assets are valued in accordance with the Group's valuation principles further detailed in D.1.

1.2. UKC Technical Provisions

Table 17: UKC technical provisions as at 20 February

Amounts in \$000	2024	2023
Gross best estimate	1,352,653	1,205,151
Risk Margin	13,142	22,004
Reinsurance best estimate	(1,310,248)	(1,180,244)
Net technical provisions	55,547	46,911

Refer to UKC QRTs S.17.01.02 and S.19.01.21 in the appendices for further details on technical provisions.

UKC's technical provisions are valued in accordance with the Group valuation principles further detailed in D.2.

Differences between FRS and Solvency II technical provisions

A reconciliation of FRS technical provisions to Solvency II technical provisions is provided below:

Table 18: Reconciliation of FRS technical provisions to Solvency II technical provisions as at 20 February

Amounts in \$000	Note	Gross	RI	Net
FRS technical provisions per financial statements		1,333,270	1,266,375	66,895
Remove deferred acquisition costs	1	8,889	-	8,889
FRS technical provisions per tables 16 and 19		1,342,159	1,266,375	75,784
Remove provision for unearned premium	1	(39,814)	(29,429)	(10,385)
Adjustments to best estimate valuation basis	2	180,970	182,639	(1,669)
Reallocations from FRS balance sheet	3	(30,585)	(32,155)	1,570
Adjustment to expense reserve	4	23,546	21,192	2,354
Provision for contracts bound but not inception	5	82,487	110,348	(27,861)
Reinsurance counterparty default adjustment	6	-	(11,490)	11,490
Effects of discounting	7	(206,112)	(197,232)	(8,880)
Solvency II technical provisions before risk margin		1,352,651	1,310,248	42,403
Risk Margin	2	13,142	-	13,142
Total Solvency II technical provisions		1,365,793	1,310,248	55,545

Notes

1. Elimination of unearned amounts

Any amounts of unearned premium or deferred acquisition costs are eliminated from the Solvency II balance sheet, as all cash flows associated with unexpired risks are included in the premium provision.

2. Adjustments to best estimate valuation basis

Since the Solvency II technical provisions figure is a true best estimate, the FRS technical provisions are adjusted for the following items:

- All margins for prudence are removed
- A provision is made for events not in data (“ENID”) to represent a true average of future outcomes
- Technical provisions are stated both gross and net of reinsurance
- An additional Solvency II risk margin which is intended to represent a notional market value adjustment.

3. Reallocations

This is based on the elimination of unearned premium and reallocation of various amounts from the FRS balance sheet to Solvency II technical provisions.

The Solvency II balance sheet contains no concept of deferral of premium, and as such any such balances are eliminated upon transition to the Solvency II balance sheet.

Furthermore, under Solvency II valuation methodologies all future cash flows are included in the calculation of technical provisions. More specifically, any amount not yet due shall be included as a future cash inflow under the calculation of Solvency II technical provisions. As a result, these amounts are reallocated from the accounting balance sheet to technical provisions on the Solvency II balance sheet.

4. Adjustment to expense reserve

Unlike FRS, Solvency II recognises all expense cash flows incurred in servicing insurance obligations. This includes both direct and overhead expenses, as well as investment management expenses. As such, an adjustment is made.

5. Provision for contracts bound but not incepted

Solvency II valuation methodology requires contracts to be recognised when the insurer becomes party to the insurance contract. Usually, an undertaking becomes a party of the contract when the contract between undertaking and policyholder is legally formalised.

A large proportion of the UKC’s policies are coterminous with its financial year. The consequence is that nearly a full year’s worth of business is recognised as Bound But Not Incepted (“BBNI”) business. A provision on the Solvency II balance sheet, known as the “premium provision”, is thus made for future premiums, claims and expenses that relate to BBNI business.

6. Reinsurance counterparty default adjustment

For the Solvency II balance sheet, amounts recoverable from reinsurance counterparties must be adjusted for the expected losses due to counterparty default. This adjustment approximates the expected present value of the losses in the event of default, weighted by the probability of default for each counterparty. Under the current accounting basis, a provision for bad debts is only made where there is

objective evidence that counterparty may default on its obligation.

7. Effects of discounting

Since Solvency II technical provisions take into account the time value of money, an adjustment is made for the discounting of all future cash flows, based on risk-free interest rates. This includes an adjustment for items previously discounted at rates other than the risk-free rate.

1.3. UKC other liabilities

Table 19: Valuation of UKC's other liabilities as at 20 February

Amounts in \$000	Solvency II		FRS	
	2024	2023	2024	2023
Technical provisions	1,365,795	1,227,155	1,342,159	1,345,494
Insurance and intermediaries payables	3,687	3,670	3,687	3,670
Reinsurance payables	22,484	15,380	58,882	51,980
Trade payables	3,175	3,784	3,175	3,784
Any other liabilities, not shown elsewhere	32,383	(29,997)	28,140	10,241
Total classified under the SII allocation rule	1,427,525	1,219,992	1,436,045	1,415,169
Difference between FRS/SII	-	-	(9,444)	(9,377)
Total classified under FRS	-	-	1,426,601	1,405,792

The above table presents amounts using Solvency II and FRS valuation basis respectively. For classification purposes, amounts have been aggregated using Solvency II classification methodologies.

UKC's other liabilities are valued in accordance with the Group's valuation principles further detailed in D.3.

2. UKC Capital Management

2.1 UKC Own funds

Table 20: UKC own funds figures as at 20 February

Amounts in \$000	2024	2023
SCR ratio	242%	236%
SCR	282,388	256,965
Eligible capital	682,048	605,576
Excess / (shortfall)	399,660	348,611
MCR ratio	766%	743%
MCR	70,597	64,241
Eligible capital	540,854	477,094
Excess / (shortfall)	470,257	412,853
Tier 1 Basic own funds	540,854	477,094
Tier 2 Ancillary own funds	141,194	128,483

UKC's principles for capital management are in accordance with the Group's capital management principles further detailed in section E.

The PRA has granted an approval for a method of calculation of ancillary own funds ("AOF") to UKC. Under the Solvency II regulations, up to 50.0% of the SCR may be covered by these funds. This amounted to \$141.2 million of tier 2 ancillary own funds being eligible towards SCR coverage. In the absence of this requirement, the AOF calculation method would result in an amount of \$358.4 million.

Material differences between equity as shown in the financial statements and the excess of assets over liabilities

The table below provides a reconciliation of the capital reported within the Financial Statements to that within the Solvency II balance sheet.

Table 21: Reconciliation of capital reported within the financial statements to that within the Solvency II balance sheet as at 20 February

Amounts in \$000	2024	2023
Financial Statements	188,062	191,815
Solvency II gross technical provisions adjustment	(23,635)	109,605
Of which reallocations from FRS balance sheet	(30,585)	(89,127)
Solvency II RI technical provisions adjustment	43,873	(93,436)
Of which reallocations from FRS balance sheet (table 18)	32,155	76,837
Solvency II revaluation of subsidiaries	339,873	281,401
Elimination of DAC	(8,889)	
Total Solvency II basic own funds	540,854	477,094

The most material adjustment to reserves is as a result of the differences in valuation of technical provisions. Refer to 1.1 to 1.3 for a discussion of the differences between the bases.

Solvency II requires that any investment in subsidiaries is valued at the “adjusted equity method” being the share of net assets valued in accordance with Solvency II valuation principles. This results in an revaluation adjustment of UKC’s subsidiaries as reported in the table above.

2.2 UKC Solvency Capital Requirement and Minimum Capital Requirement

SCR and MCR

Below table summarises the capital requirements for the current period. Further details can be found in UKC appendices S.25.02.21 and S.28.01.01.

Table 22: Summary of capital requirements as at 20 February

Amounts in \$000	2024	2023
Solvency Capital Requirement SCR	282,388	256,965
Made up of:		
Market risk	198,059	168,144
Counterparty default risk	90,077	100,007
Underwriting & reserving risk	11,039	10,658
Operational risk	40,580	36,155
Diversification effects	(57,367)	(57,999)
Minimum Capital Requirement MCR	70,597	64,241

The SCR has been calculated using partial internal model and the standard formula as described in section E.4.

The SCR has increased by \$25.4 million over the year. This increase is driven by an increase in market and operational risk, partly offset by a decrease in counterparty default risk.

The inputs into the MCR are net premium (\$90.3 million) and net technical provisions (\$42.4 million) as further detailed in UKC solo appendix S.28.01.01 C0020 & C0030.

Appendix II: Solvency II Group and Solo Output Data

THE UNITED KINGDOM

Solvency and Financial Condition Report

Disclosures

20 February

2024

(Monetary amounts in USD thousands)

General information

Participating undertaking name	THE UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE ASSOCIATION LIMITED
Group identification code	213800QWNPYB4MEE1U70
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	20 February 2024
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Partial internal model
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
- S.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
- S.23.01.22 - Own Funds
- S.25.02.22 - Solvency Capital Requirement - for groups using the standard formula and partial internal model
- S.25.02.22 - Solvency Capital Requirement - for groups using the standard formula and partial internal model
- S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	1,023,443
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	118,720
R0100	<i>Equities</i>	35,201
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	35,201
R0130	<i>Bonds</i>	212,911
R0140	<i>Government Bonds</i>	212,911
R0150	<i>Corporate Bonds</i>	0
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	652,020
R0190	<i>Derivatives</i>	4,591
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	831,121
R0280	<i>Non-life and health similar to non-life</i>	831,121
R0290	<i>Non-life excluding health</i>	831,121
R0300	<i>Health similar to non-life</i>	
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	21,411
R0370	Reinsurance receivables	26,934
R0380	Receivables (trade, not insurance)	22,538
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	129,788
R0420	Any other assets, not elsewhere shown	2,296
R0500	Total assets	2,057,531

S.02.01.02

Balance sheet

		Solvency II value
		C0010
	Liabilities	
R0510	Technical provisions - non-life	1,463,902
R0520	<i>Technical provisions - non-life (excluding health)</i>	1,463,902
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	1,434,970
R0550	<i>Risk margin</i>	28,931
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	
R0580	<i>Best Estimate</i>	
R0590	<i>Risk margin</i>	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	4,179
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	5,944
R0830	Reinsurance payables	36,866
R0840	Payables (trade, not insurance)	5,228
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	33
R0900	Total liabilities	1,516,151
R1000	Excess of assets over liabilities	541,380

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					Total
		Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	
		C0040	C0050	C0060	C0070	C0080	C0200
Premiums written							
R0110	Gross - Direct Business	507		504,529	3,446	30,191	538,674
R0120	Gross - Proportional reinsurance accepted						0
R0130	Gross - Non-proportional reinsurance accepted						0
R0140	Reinsurers' share	500		212,806	3,054	26,205	242,564
R0200	Net	7		291,723	393	3,987	296,110
Premiums earned							
R0210	Gross - Direct Business	514		501,947	2,806	31,276	536,543
R0220	Gross - Proportional reinsurance accepted						0
R0230	Gross - Non-proportional reinsurance accepted						0
R0240	Reinsurers' share	506		211,964	2,529	27,160	242,160
R0300	Net	7		289,983	277	4,116	294,383
Claims incurred							
R0310	Gross - Direct Business	-20		449,434	-5,718	27,114	470,809
R0320	Gross - Proportional reinsurance accepted						0
R0330	Gross - Non-proportional reinsurance accepted						0
R0340	Reinsurers' share	-20		219,608	-5,718	27,114	240,983
R0400	Net	0		229,826	0	0	229,826
Changes in other technical provisions							
R0410	Gross - Direct Business						0
R0420	Gross - Proportional reinsurance accepted						0
R0430	Gross - Non-proportional reinsurance accepted						0
R0440	Reinsurers' share						0
R0500	Net	0		0	0	0	0
R0550	Expenses incurred	27		120,160	382	5,419	125,987
R1200	Other expenses						2,107
R1300	Total expenses						128,094

S.23.01.22

Own Funds

Basic own funds before deduction for participations in other financial sector

R0010	Ordinary share capital (gross of own shares)
R0020	<i>Non-available called but not paid in ordinary share capital at group level</i>
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0060	<i>Non-available subordinated mutual member accounts at group level</i>
R0070	Surplus funds
R0080	<i>Non-available surplus funds at group level</i>
R0090	Preference shares
R0100	<i>Non-available preference shares at group level</i>
R0110	Share premium account related to preference shares
R0120	<i>Non-available share premium account related to preference shares at group level</i>
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0150	<i>Non-available subordinated liabilities at group level</i>
R0160	An amount equal to the value of net deferred tax assets
R0170	<i>The amount equal to the value of net deferred tax assets not available at the group level</i>
R0180	Other items approved by supervisory authority as basic own funds not specified above
R0190	<i>Non available own funds related to other own funds items approved by supervisory authority</i>
R0200	Minority interests (if not reported as part of a specific own fund item)
R0210	<i>Non-available minority interests at group level</i>

R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

R0230 Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities

R0240	<i>whereof deducted according to art 228 of the Directive 2009/138/EC</i>
R0250	Deductions for participations where there is non-availability of information (Article 229)
R0260	Deduction for participations included by using D&A when a combination of methods is used
R0270	Total of non-available own fund items
R0280	Total deductions

R0290 Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0380	Non available ancillary own funds at group level
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Own funds of other financial sectors

R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies
R0420	Institutions for occupational retirement provision
R0430	Non regulated entities carrying out financial activities
R0440	Total own funds of other financial sectors

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0	0		0	
0				
0	0		0	
0	0		0	
0		0	0	0
0				
0	0			
0	0			
0		0	0	0
0				
0		0	0	0
0				
0				
541,380	541,380			
0		0	0	0
0				0
0				0
0				0
0	0	0	0	0
0				
0				
0				
0				
541,380	541,380	0	0	0
0				
0				
0				
0				
0				
0				
157,034			157,034	
0				
0				
0				
157,034			157,034	0
0				
0				
0				
0	0	0	0	0

S.23.01.22

Own Funds

Basic own funds before deduction for participations in other financial sector

Own funds when using the D&A, exclusively or in combination of method 1

R0450	Own funds aggregated when using the D&A and combination of method
R0460	Own funds aggregated when using the D&A and combination of method net of IGT
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)
R0530	Total available own funds to meet the minimum consolidated group SCR
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)
R0610	Minimum consolidated Group SCR
R0650	Ratio of Eligible own funds to Minimum Consolidated Group SCR
R0660	Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)
R0680	Group SCR
R0690	Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0				
0				
698,414	541,380	0	157,034	0
541,380	541,380	0	0	
698,414	541,380	0	157,034	0
541,380	541,380	0	0	
80,765				
670.32%				
698,414	541,380	0	157,034	0
314,068				
222.38%				

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Forseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0750	Other non available own funds
R0760	Reconciliation reserve

C0060
541,380
0
0
541,380

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

-19,247
-19,247

S.25.02.22

Solvency Capital Requirement - for groups using the standard formula and partial internal model

		C0100
Calculation of Solvency Capital Requirement		
R0110	Total undiversified components	406,500
R0060	Diversification	-92,432
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	Solvency capital requirement excluding capital add-on	314,068
R0210	Capital add-ons already set	
R0220	Solvency capital requirement for undertakings under consolidated method	314,068
Other information on SCR		
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity of deferred taxes	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0470	Minimum consolidated group solvency capital requirement	80,765
Information on other entities		
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	<i>Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies</i>	
R0520	<i>Institutions for occupational retirement provisions</i>	
R0530	<i>Capital requirement for non-regulated entities carrying out financial activities</i>	
R0540	Capital requirement for non-controlled participation requirements	
R0550	Capital requirement for residual undertakings	
Overall SCR		
R0560	SCR for undertakings included via D and A	
R0570	Solvency capital requirement	314,068

S.32.01.22

Undertakings in the scope of the group

	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	213800QWNPYB4MEE1U70	LEI	The United Kingdom Steam Ship Assurance Association Limited	Non life insurance undertaking	Company limited by guarantee	Mutual	Prudential Regulatory Authority
2	BM	213800IFVOX63ELTKM29	LEI	The United Kingdom Steam Ship Assurance Association (Bermuda) Limited	Reinsurance undertaking	Company limited by guarantee	Mutual	Bermuda Regulatory Authority
3	NL	724500T310DRX4FA7175	LEI	UK P&I CLUB N.V.	Non life insurance undertaking	Company limited by shares	Non-mutual	Dutch National Bank
4	BM	IPIR	Specific code	INTERNATIONAL P&I REINSURANCE COMPANY LTD	Reinsurance undertaking	Company limited by shares	Non-mutual	Isle of Man Financial Services Authority

S.32.01.22

Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation	
				% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking	
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800QWNPYB4MEE1U70	LEI	The United Kingdom Steam Ship Assurance Association Limited			100.00%				Included in the scope		Method 1: Full consolidation
2	BM	213800IFVOX63ELTKM29	LEI	The United Kingdom Steam Ship Assurance Association (Bermuda) Limited		100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	NL	724500T310DRX4FA7I75	LEI	UK P&I CLUB N.V.	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	BM	IPIR	Specific code	INTERNATIONAL P&I REINSURANCE COMPANY LTD	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation

THE UNITED KINGDOM

Solvency and Financial Condition Report

Disclosures

20 February

2024

(Monetary amounts in USD thousands)

General information

Undertaking name	THE UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE ASSOCIATION LIMITED
Undertaking identification code	213800QWNPYB4MEE1U70
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	20 February 2024
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Partial internal model
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
- S.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.02.21 - Solvency Capital Requirement - for undertakings using the standard formula and partial internal model
- S.25.02.21 - Solvency Capital Requirement - for undertakings using the standard formula and partial internal model
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

Solvency II value	
C0010	
Assets	
R0030 Intangible assets	
R0040 Deferred tax assets	
R0050 Pension benefit surplus	
R0060 Property, plant & equipment held for own use	0
R0070 Investments (other than assets held for index-linked and unit-linked contracts)	488,665
R0080 <i>Property (other than for own use)</i>	0
R0090 <i>Holdings in related undertakings, including participations</i>	413,963
R0100 <i>Equities</i>	0
R0110 <i>Equities - listed</i>	
R0120 <i>Equities - unlisted</i>	
R0130 <i>Bonds</i>	51,992
R0140 <i>Government Bonds</i>	51,992
R0150 <i>Corporate Bonds</i>	0
R0160 <i>Structured notes</i>	0
R0170 <i>Collateralised securities</i>	0
R0180 <i>Collective Investments Undertakings</i>	22,711
R0190 <i>Derivatives</i>	
R0200 <i>Deposits other than cash equivalents</i>	0
R0210 <i>Other investments</i>	0
R0220 Assets held for index-linked and unit-linked contracts	
R0230 Loans and mortgages	0
R0240 <i>Loans on policies</i>	0
R0250 <i>Loans and mortgages to individuals</i>	
R0260 <i>Other loans and mortgages</i>	
R0270 Reinsurance recoverables from:	1,310,248
R0280 <i>Non-life and health similar to non-life</i>	1,310,248
R0290 <i>Non-life excluding health</i>	1,310,248
R0300 <i>Health similar to non-life</i>	0
R0310 <i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320 <i>Health similar to life</i>	
R0330 <i>Life excluding health and index-linked and unit-linked</i>	
R0340 <i>Life index-linked and unit-linked</i>	
R0350 Deposits to cedants	0
R0360 Insurance and intermediaries receivables	12,592
R0370 Reinsurance receivables	26,603
R0380 Receivables (trade, not insurance)	20,442
R0390 Own shares (held directly)	
R0400 Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410 Cash and cash equivalents	107,856
R0420 Any other assets, not elsewhere shown	1,972
R0500 Total assets	1,968,378

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	1,365,795
R0520	<i>Technical provisions - non-life (excluding health)</i>	1,365,795
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	1,352,653
R0550	<i>Risk margin</i>	13,142
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	3,687
R0830	Reinsurance payables	22,484
R0840	Payables (trade, not insurance)	3,175
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	32,383
R0900	Total liabilities	1,427,524
R1000	Excess of assets over liabilities	540,854

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Total
		Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	
		C0060	C0070	C0080	C0200
Premiums written					
R0110	Gross - Direct Business	381,965			381,965
R0120	Gross - Proportional reinsurance accepted	83,036			83,036
R0130	Gross - Non-proportional reinsurance accepted				0
R0140	Reinsurers' share	374,690			374,690
R0200	Net	90,311			90,311
Premiums earned					
R0210	Gross - Direct Business	383,197			383,197
R0220	Gross - Proportional reinsurance accepted	82,587			82,587
R0230	Gross - Non-proportional reinsurance accepted				0
R0240	Reinsurers' share	375,591			375,591
R0300	Net	90,193			90,193
Claims incurred					
R0310	Gross - Direct Business	388,290			388,290
R0320	Gross - Proportional reinsurance accepted	48,251			48,251
R0330	Gross - Non-proportional reinsurance accepted				0
R0340	Reinsurers' share	411,365			411,365
R0400	Net	25,176			25,176
Changes in other technical provisions					
R0410	Gross - Direct Business				0
R0420	Gross - Proportional reinsurance accepted				0
R0430	Gross - Non-proportional reinsurance accepted				0
R0440	Reinsurers' share				0
R0500	Net	0			0
R0550	Expenses incurred	73,551			73,551
R1200	Other expenses				2,997
R1300	Total expenses				76,548

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance			Total Non-Life obligation
		Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	
		C0070	C0080	C0090	C0180
R0010	Technical provisions calculated as a whole	0			0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole				0
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
R0060	Gross	15,495			15,495
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	41,907			41,907
R0150	Net Best Estimate of Premium Provisions	-26,411			-26,411
Claims provisions					
R0160	Gross	1,337,157			1,337,157
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	1,268,341			1,268,341
R0250	Net Best Estimate of Claims Provisions	68,816			68,816
R0260	Total best estimate - gross	1,352,653			1,352,653
R0270	Total best estimate - net	42,405			42,405
R0280	Risk margin	13,142			13,142
Amount of the transitional on Technical Provisions					
R0290	Technical Provisions calculated as a whole				0
R0300	Best estimate				0
R0310	Risk margin				0
R0320	Technical provisions - total	1,365,795			1,365,795
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	1,310,248			1,310,248
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	55,547			55,547

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Gross Claims Paid (non-cumulative)													
(absolute amount)													
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Development year										In Current year	Sum of years (cumulative)	
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior										5,196	5,196	5,196
R0160	-9	50,993	57,445	29,617	16,905	13,698	18,451	5,866	5,007	3,141	545	545	201,668
R0170	-8	27,886	56,481	38,859	27,535	19,916	21,107	6,763	4,701	3,141		3,141	206,388
R0180	-7	45,546	44,282	47,179	28,892	22,082	14,360	21,555	5,026			5,026	228,923
R0190	-6	52,409	59,520	48,977	23,107	23,543	27,794	33,555				33,555	268,904
R0200	-5	37,642	68,123	52,590	26,229	18,115	18,659					18,659	221,357
R0210	-4	48,590	51,228	27,219	46,740	19,468						19,468	193,244
R0220	-3	75,523	45,756	39,671	172,193							172,193	333,143
R0230	-2	80,244	55,185	37,851								37,851	173,279
R0240	-1	25,799	50,261									50,261	76,060
R0250	0	90,632										90,632	90,632
R0260												Total	436,526

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
	Development year										Year end (discounted data)		
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior										54,986	51,575	51,575
R0160	-9	0	0	84,253	61,251	48,317	25,992	17,872	8,980	4,998	4,338	3,769	3,769
R0170	-8	0	208,625	165,635	125,302	87,550	66,617	55,263	31,030	27,254		23,717	23,717
R0180	-7	159,016	174,181	101,915	66,172	48,461	29,367	15,590	11,185			9,874	9,874
R0190	-6	205,048	197,781	184,615	178,719	138,038	141,233	164,547				141,075	141,075
R0200	-5	275,167	183,870	120,693	78,771	69,607	51,625					45,568	45,568
R0210	-4	192,031	371,793	306,341	284,918	305,611						267,655	267,655
R0220	-3	195,789	313,520	363,932	160,830							143,493	143,493
R0230	-2	195,789	209,031	158,308								141,247	141,247
R0240	-1	114,398	206,052									185,750	185,750
R0250	0	356,855										323,436	323,436
R0260												Total	1,337,157

S.23.01.01

Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

R0230 Deductions for participations in financial and credit institutions

R0290 Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580	SCR
R0600	MCR
R0620	Ratio of Eligible own funds to SCR
R0640	Ratio of Eligible own funds to MCR

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0	0		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
540,854	540,854			
0		0	0	0
0				0
0	0	0	0	0
0				
0				
540,854	540,854	0	0	0

0				
0				
0				
0				
0				
0				
141,194			141,194	
0				
0				
141,194			141,194	0

682,048	540,854	0	141,194	0
540,854	540,854	0	0	
682,048	540,854	0	141,194	0
540,854	540,854	0	0	

282,388
70,597
241.53%
766.12%

C0060
540,854
0
0
0
540,854

-15,495
-15,495

S.25.02.21

**Solvency Capital Requirement -
for undertakings using the standard formula and partial internal model**

USP Key	USP Key	USP Key
For life underwriting risk: 1 - Increase in the amount of annuity benefits 9 - None	For health underwriting risk: 1 - Increase in the amount of annuity benefits 2 - Standard deviation for NSLT health premium risk 3 - Standard deviation for NSLT health gross premium risk 4 - Adjustment factor for non-proportional reinsurance 5 - Standard deviation for NSLT health reserve risk	For non-life underwriting risk: 4 - Adjustment factor for non-proportional reinsurance 6 - Standard deviation for non-life premium risk 7 - Standard deviation for non-life gross premium risk 8 - Standard deviation for non-life reserve risk 9 - None

Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0090	C0120
1	Market Risk	198,059		9	
2	Counterparty Default Risk	90,077		9	
3	Non-Life Underwriting Risk	11,039		9	
4	Operational Risk	40,580		9	

Row

1
2
3
4

S.25.02.21

Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

Calculation of Solvency Capital Requirement

C0100

R0110	Total undiversified components	339,755
R0060	Diversification	-57,367
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	Solvency capital requirement excluding capital add-on	282,388
R0210	Capital add-ons already set	
R0220	Solvency capital requirement	282,388

Other information on SCR

R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity of deferred taxes	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

Approach to tax rate

C0109

R0590	Approach based on average tax rate	
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Calculation of loss absorbing capacity of deferred taxes

LAC DT

C0130

R0640	Amount/estimate of LAC DT	
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	
R0670	Amount/estimate of AC DT justified by carry back, current year	
R0680	Amount/estimate of LAC DT justified by carry back, future years	
R0690	Amount/estimate of Maximum LAC DT	

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR_{NL} Result

C0010

17,011

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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C0020

C0030

R0020	Medical expense insurance and proportional reinsurance	
R0030	Income protection insurance and proportional reinsurance	
R0040	Workers' compensation insurance and proportional reinsurance	
R0050	Motor vehicle liability insurance and proportional reinsurance	
R0060	Other motor insurance and proportional reinsurance	
R0070	Marine, aviation and transport insurance and proportional reinsurance	
R0080	Fire and other damage to property insurance and proportional reinsurance	
R0090	General liability insurance and proportional reinsurance	
R0100	Credit and suretyship insurance and proportional reinsurance	
R0110	Legal expenses insurance and proportional reinsurance	
R0120	Assistance and proportional reinsurance	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	
R0140	Non-proportional health reinsurance	
R0150	Non-proportional casualty reinsurance	
R0160	Non-proportional marine, aviation and transport reinsurance	
R0170	Non-proportional property reinsurance	

	0	
	0	
	0	
	0	
	0	
	42,405	90,311
	0	
	0	
	0	
	0	
	0	
	0	
	0	
	0	
	0	

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

0

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
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C0050

C0060

R0210	Obligations with profit participation - guaranteed benefits	
R0220	Obligations with profit participation - future discretionary benefits	
R0230	Index-linked and unit-linked insurance obligations	
R0240	Other life (re)insurance and health (re)insurance obligations	
R0250	Total capital at risk for all life (re)insurance obligations	

Overall MCR calculation

R0300	Linear MCR	
R0310	SCR	
R0320	MCR cap	
R0330	MCR floor	
R0340	Combined MCR	
R0350	Absolute floor of the MCR	
R0400	Minimum Capital Requirement	

C0070

17,011
282,388
127,074
70,597
70,597
4,248
70,597

