Accredited Insurance (Europe) Limited

Solvency and Financial Condition Report

Year ended 31 December 2022

Contents

Summary

This Solvency and Financial Condition Report has been prepared for Accredited Insurance (Europe) Limited ("the Company" or "AIEL"), in order to satisfy the requirements of Article 290 of the Commission Delegated Regulation 2015/35 ("Commission DR"). It refers to the financial year ended on 31 December 2022 ("the reference date"). The Company forms part of the R&Q Insurance Holdings Ltd. Group ("the Group").

The Company operates in two primary insurance sectors: the "run-off" or "legacy" business, purchasing or reinsuring portfolios/companies whose business would have been placed in run-off and program management business. Both businesses are core to the overall Company strategy. During 2022, the Company achieved growth in both business streams.

Legacy Business

Five legacy transactions and an insurance business transfer were concluded in 2022 and two transactions were commuted with the result that as at the end of December 2022, the Company managed/reinsured 37 legacy portfolios.

The Company concluded two significant loss portfolio transfers covering liabilities previously held by other R&Q entities, which increased gross technical reserves by £20.61m and contributed a net income of £6.56m to the technical account. In addition, the Company completed an insurance business transfer, converted from a loss portfolio transferred into the Company last year, with the main impact being the creation of an intangible asset of £1.98m as at 31 December 2022, representing the fair value adjustment to the technical provisions within the portfolio transferred.

In addition, the Company also concluded two reinsurance arrangements, namely adverse development covers, on a further two separate books of business in run-off. For the year ending 31 December 2022, these arrangements generated £4.47m in net income without increasing net technical reserves due to being either out of the money or fully reinsured.

Finally, the Company concluded a legacy transaction which qualified to be reinsured by Gibson Re, a Bermuda-domiciled collateralised reinsurer, which, as announced by the Company's ultimate parent, R&Q Insurance Holdings Ltd on 6 September 2021, reinsures 80% of the Group's new qualifying legacy transactions. Whilst this transaction only contributed a minimal amount to the Company's technical income for the year, the strategy of the Company in terms of legacy business is to utilise the capacity provided by Gibson Re on qualifying future deals. Whilst cession to Gibson Re reduces the risk retained at the level of the Company, it also results in the Company receiving annual recurring fees on the ceded reserves, as well as potential performance fees, thus transforming the Company's legacy operations in the long term into primarily a recurring fee-based business.

Program Business

As regards to program business, the Company engaged in a number of new relationships with managing cover-holders (MGAs) whilst also integrating a number of other programs under one agreement, bringing the total programs under management to 30. During the year, the Company

onboarded two very large MGAs (super MGAs), which are defined as MGAs that are each expected to generate in excess of £100 million of premium income annually. These operate as market leaders in their field, mainly in the motor and property classes of business, and are expected to continue to drive future growth, allowing the Company to achieve a higher degree of focus in its operations, without jeopardizing the level of diversification of its portfolio. The Company also concluded multi-year arrangements with well performing MGAs, further strengthening the relationship with those MGAs and securing longer-term future income streams.

By year end 2022, 16 of the active “program” portfolios were written through the UK Branch. The Company continues to operate via the UK Branch on a Freedom of Establishment basis, which enables the Company to underwrite in the UK the full range of classes for which the Company is authorised by the Malta Financial Services Authority (‘MFSA’). The UK Branch currently writes business under the Prudential Regulation Authority’s (‘PRA’) Temporary Permissions Regime (‘TPR’) through a “deemed Part 4A permission”. The Company has submitted an application to the PRA for approval of its UK branch and is engaging with PRA and FCA as part of this process. Due to the experienced growth in the UK business and the scale and complexity of the expected future growth, the Board has analysed the options available with respect to the manner in which the UK business is to be carried out going forward. As a result of the Board’s decision, the Group is in pre-application arrangements with the PRA and FCA with respect to establishing a new insurance entity in the UK to underwrite UK risks. The Group has set up a multi-disciplinary committee to drive and oversee this complex process and to analyse the implications on resources, capital as well as on prudential and conduct matters.

Combined

Total premium generated during the year increased from £417.54m during 2021 to £649.63m during 2022. The legacy business generated a premium of £53.96m (2021: £30.53m), with the remaining premium of £595.67m (2021: £387.01m) being generated from the program business. In line with the Company’s prudent risk strategy on its program business, outward reinsurance premium also increased significantly when compared to 2021, resulting in retained overall written premium of £74.19m compared to £61.55m in 2021.

Net claims incurred of £41.68m (2021: £37.04m) represent £28.90m (2021: £16.73m) incurred claims on the program business, with the motor liability line of business making up the largest portion in line with volume of premium earned. The remainder, £12.78m, represents incurred claims on ‘legacy’ business mainly driven by £7.56m in net claims incurred from the new legacy transactions in 2022 and by £2.2m strengthening of reserves as a result of actuarial valuations.

The positive technical result for the year of £19.55m (2021: £14.93m) was driven mainly by an increase in over-rider commission in line with the growth in premium volumes on program business, as well as by day-one profits on new legacy transactions entered into during the year.

Due to the prevailing conditions in global capital markets, the Company incurred a net investment loss for the year of £4.35m (2021: £2.93m). This result is mainly attributed to realised and unrealised fair value losses on debt securities and other equity investments of £1.23m (2021: £0.32m) and £11.42m (2021: £2.71m) respectively for the year, compensated by interest income of £2.15m (2021: £2.04m) on those same debt securities as well as by unrealised gains on exchange of £6.18m (2021: unrealised loss on exchange of £2.18m).

The Company is in the latter stages of a period of significant operational change, driven by a number of different overarching projects, aimed at automating and radically improving the Company's core operational systems and streamlining business processes across the R&Q Group, in order to achieve a wide array of efficiencies to the Company's main workstreams. These projects have progressed in a staggered and risk-based approach, and following significant efforts made in 2022 are in line to be completed by the implementation target date of mid-2023. The Company is also finalising the foundations for the substantial reporting and operational changes that will result from the implementation of the new accounting standard *IFRS 17 – Insurance Contracts*, that came into force on 1 January 2023. As anticipated, these separate yet interlinked projects as well as the continued investment in growing the program business has significantly increased the Company's cost base. The Company's relatively high cost base coupled with investment losses, resulted in a loss before tax for the year under review, despite a promising and improving technical result.

The Company maintains a sound capital position. The Company monitors its capital level on a regular basis and further strengthened its capital base in 2022 through a shareholder contribution of £1.49m (2021: £6.66m). At the reference date, the Solvency Capital Requirement increase significantly to £69.67m (2021: £45.20m) driven by the growth in program business. The eligible own funds available to cover this requirement increased to £101.58m (2021: £93.60m). These own funds consist of £77.24m Tier 1 unrestricted funds, £21.90m Tier 2 funds and £2.44m Tier 3 funds. Hence, the ratio of eligible own funds to SCR at the reference date was 146% (2021: 207%). The available own funds to cover the SCR stand at 146% (2021: 209%). The Minimum Capital Requirement was £17.42m, all of which is covered by eligible Tier 1 own funds. In 2022, the assumptions and methodology underlying the calculation of the eligible own funds and the SCR did not change significantly.

The Company operates with a rating of A- (Excellent) from A.M. Best. This strong credit rating supports the Company in its strategy to be a market leader in the niche run-off and program markets.

The Company did not experience any significant increase in claims as a result of the COVID-19 pandemic. Following the escalation of the geopolitical tensions in Russia and Ukraine from February 2022, the Company thoroughly assessed any potential exposures, with no material exposure identified. Whilst the Company has no risk exposure to these jurisdictions, management will continue to monitor the situation, particularly in terms of the wider macroeconomic implications. Whilst the full impact of these events on a global scale remains uncertain, the financial impact to the Company has been mostly limited to the inflationary pressures noted on reserves and claims incurred as well the unrealised losses in the Company's investment portfolio arising due to turbulent market conditions. In this regard, the Company continues to monitor and adjust its insurance pricing levels in light of the prevailing competitive environment and continues to cede the vast majority of its exposures to high quality rated reinsurers. Moreover, the Company continues to implement its high quality and short duration investments strategy. In spite of the risk-mitigation measures in place, the Company continues to face risks as a result of the current environment, reduced economic growth slowing demand for insurance, dislocations in the capital markets, and finally from increased regulatory requirements. The Directors however believe that the Company is well equipped to face these challenges.

The Company maintains a robust system of governance which, in light of the nature, scale and complexity of the Company's activities and its risk profile, is deemed to be adequate in ensuring the sound and prudent management of the Company. The system of governance revolves around the Board and its three Committees – the Audit Committee, the Underwriting and Claims Committee, the Compliance and Risk Committee. This is supported through a number of management committees (Executive Committee, UK Branch Committee, Italian Branch Committee and Product Governance and Oversight Committee). Key functions are outsourced to the Group and external service providers in line with the Company's Outsourcing Policy with appropriate oversight and monitoring. One of the mainstays of the system of governance is the risk management system which is designed to ensure that all material risks are identified and that policies and procedures are in place to manage or mitigate these risks, to assess their potential impact and to ensure that they are adequately reported.

The Board's current appetite is focused on underwriting risk, credit risk arising from reinsurance associated with the programs, and given the long-term nature of its underlying net technical provisions, on market risk.

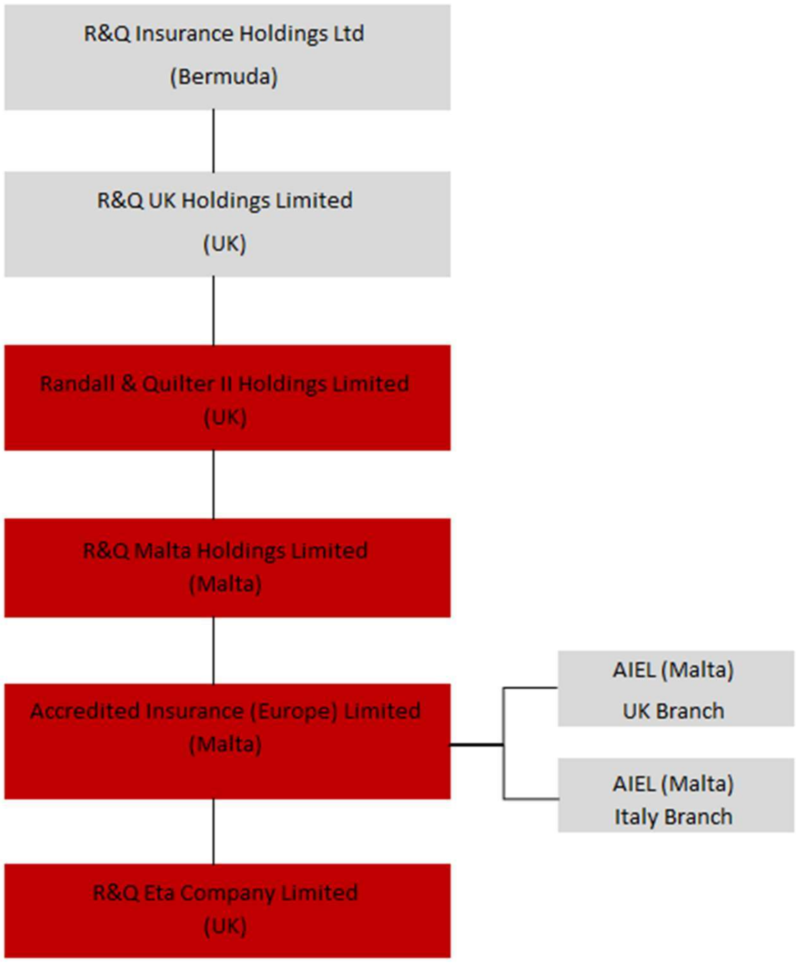
No significant changes in the system of governance, including the risk management system, occurred during the year under review. The Board remains fit and proper, possessing a good mix of management and technical competences.

A. Business and Performance

A1. Business

<table>
<tr><td>Name and Legal Form</td><td>Accredited Insurance (Europe) Limited</td></tr>
<tr><td>National Supervisory Authority</td><td>Malta Financial Services Authority
Ray Schembri
Director – Insurance and Pensions Supervisory Unit
Triq l-Imdina, Zone 1
Central Business District, Birkirkara, Malta
CBD 1010</td></tr>
<tr><td>Group National Supervisory Authority</td><td>Bermuda Monetary Authority
Trudy Trott
BMA House, 43 Victoria Street, Hamilton, Bermuda</td></tr>
<tr><td>Third Country Branch (UK)</td><td>Accredited Insurance (Europe) Limited – UK Branch
71 Fenchurch Street
London
EC3M 4BS</td></tr>
<tr><td>Branch operating under the EEA freedom of establishment basis</td><td>Accredited Insurance (Europe) Limited – Italy Branch
Via della Moscova n.3
Milano (MI)</td></tr>
<tr><td>External Auditors</td><td>PKF Assurance (Malta) Limited
Donna Greaves (Audit Partner)
35, Mannarino Road, Birkirkara, BKR9080, Malta</td></tr>
<tr><td>Qualifying holdings of the undertaking</td><td>99.99% - R&Q Holdings (Malta) Ltd</td></tr>
<tr><td>Ultimate Parent Undertaking</td><td>R&Q Insurance Holdings Ltd – Bermuda</td></tr>
<tr><td>Qualifying Shareholders (as at 16 February 2023)</td><td><table>
<tr><th>Name</th><th>No. of Ordinary Shares</th><th>%</th></tr>
<tr><td>Brickell PC insurance Holdings LLC</td><td>47,953,868</td><td>12.80</td></tr>
<tr><td>Slater Investments</td><td>44,249,871</td><td>11.81</td></tr>
</table></td></tr>
<tr><td>Authorised Classes of Business</td><td>The Company is licenced to write the following classes of business on a direct and reinsurance basis<table>
<tr><td>Class 1 – Accident
Class 2 – Sickness
Class 3 – Land Vehicles
Class 4 – Railway Rolling Stock
Class 5 – Aircraft
Class 6 – Ships
Class 7 – Goods in Transit
Class 8 – Fire & Natural Forces
Class 9 – Other Damage to Property</td><td>Class 10 – Motor vehicle liability
Class 11 – Aircraft Liability
Class 12 – Liability for Ships
Class 13 – General Liability
Class 14 – Credit
Class 15 – Suretyship
Class 16 – Miscellaneous Financial Loss
Class 17 – Legal expenses
Class 18 - Assistance</td></tr>
</table></td></tr>
</table>

The abridged Group structure showing the position of Accredited Insurance (Europe) Limited within the Group is shown in the following table.



Significant events during the year

During 2022, the Company concluded 4 new agreements with managing cover-holders writing "program" motor, property and surety business in the United Kingdom and other EU countries. This brings the total number of active program facilities to 30 at the end of 2022, covering business written in the United Kingdom, Republic of Ireland, Italy, Greece, Spain, Poland, Netherlands and other EU countries. The Company takes a prudent approach with its program strategy and reinsures this book of business extensively through the use of Quota Share, Excess of Loss and Stop Loss reinsurance agreements, mostly with reinsurers that do not fall below the A- rating or equivalent.

New and renewed MGA arrangements continued to expand the Company's program operations across a number of different product lines which include motor, surety, property, liability, professional indemnity, financial lines, title and after-the-event ('ATE') business, written in the UK and EU member states. During the year, the Company onboarded two very large MGAs (super MGAs), which are defined as MGAs that are each expected to generate in excess of £100 million of premium income annually. These operate as market leaders in their field, mainly in the motor and property classes of business and are expected to continue to drive future growth, allowing the Company to achieve a higher degree of focus in its operations, without jeopardizing the level of diversification of its portfolio. The Company also concluded multi-year arrangements with well performing MGAs, further strengthening the relationship with those MGAs and securing longer-term future income streams.

In 2022, the Company capitalised £2.70m of shareholders' contributions and injected an additional shareholder contribution of £1.49m. The Company also disposed of its investment property during the year, which had a carrying value of £1.35m as at the end of the previous financial year, for a consideration of £1.40m.

A2. Underwriting Performance

The following are the highlights for the year:

Legacy Business

A technical profit of £7.7m (before allocation of net investment income) was registered during 2022 on this type of business (2021: £9.19m). Salient points for 2022 are as follows:

- In October 2022, the portfolio transfer of the remaining risks of R&Q Theta DAC (fka Electric Insurance Ireland DAC) was completed with gross reserves of £13.2m at 31 December 2022. The transferred portfolio consists of general liability, employer's liability, and excess motor exposures and is covered by a reinsurance arrangement provided by R&Q Re (Bermuda) Ltd.
- A further transfer was completed in December 2022 with the EEA risks of QBE SA/NV transferred to AIEL by way of a Belgian Insurance Business Transfer. At 31 December 2022, the Company reported reserves of £7.4m.
- The Company agreed in 2022 to provide Adverse Development Cover ("ADC") to an Australian insurance company. A defined subset of risks and category of claims is covered by the ADC with reserves of AUD 22.9m (£12.9m) reported at 31 December 2022 in respect of a limit of AUD 80.0m (£45.2m). This exposure is in turn fully covered by a reinsurance arrangement provided by R&Q Re (Cayman) Ltd.
- The Company completed an insurance business transfer, converted from a loss portfolio transferred into the Company last year, with the main impact resulting in an intangible asset of £1.98m.
- An additional smaller 'legacy' transaction was completed in 2022 and ceded to Gibson Re and two smaller portfolios were commuted.
- In total, the transactions outlined above generated £11.1m of technical income and resulted in the transfer of reserves of £7.5m as at the end of 2022.
  Reserves for claims which are incurred but not reported are established based on an actuarial valuation that takes into consideration a number of factors including industry trends, current legal environment and geographical considerations. During 2022, following an actuarial valuation, the Company's strengthened its total technical reserves on portfolios taken over in prior years by £2.2m primarily in respect of European workers' compensation and liability.
- The above, net of claims handling expenses together with additional premium received in 2022, net of amortisation of intangible assets, generated a technical result of £7.7m.

The Company expects to continue growing this area of business. The Directors are of the belief that the market will continue to provide opportunities for the Company as a result of insurance companies, including captive insurance companies, looking for capital relief or improved capital efficiency.

Program Business

A technical profit of £14.69m (2021: £6.96m) before allocation of net investment income was registered during 2022 on this type of business. Highlights for 2022 are as follows:

- The technical profit is driven by the increase in earned over-rider commission from £10.54m in 2021 to £18.71m in 2022 in line with the growth in written and earned premium.
- The overrider commission was complemented by a net underwriting profit on the retained portion of business of £2.82m (2021: £3.72m), by Group technical staff cost and service charge allocations of £2.93m (2021: £2.00m) and the cost of non-proportional reinsurance purchased to protect the balance sheet from large losses.
- The Company entered into a number of new programs during the year which have contributed to 21% of the program gross written premium for the year 2022. Together with the programs entered into in prior years, the program business generated gross written premium of £595.67m (2021: £387.00m), of which 78% is written in the United Kingdom, 7% is written in the Republic of Ireland, and the remainder in other EU countries. This business is substantially reinsured with £536.03m (2021: £349.41m) ceded to quota share reinsurers and £6.71m (2021: £6.58m) ceded under stop loss and excess of loss treaties on the Company's net retained portion of business.
- In line with prior years, motor business constitutes the biggest line of business for 2022. However, given the increases in the financial lines, liability and property classes, the company has seen increased diversification across the written lines of business. In fact, the share of motor business has come down from 50% of program written premium in 2021 to 43% in 2022.
- By year end 2022, 16 of the active "program" portfolios were written through the UK Branch office. As of 2022, one program has been written through the Italy branch. The remaining 13 programs are being written directly via the head office in Malta.

The Company has been able to significantly increase its volume of program business, justifying expectations of continued strong growth prospects with the increasing number of MGA agreements entered into. The Company continues to work towards a number of strategic partnerships with key reinsurers to support its business growth. The market environment remains attractive to the Company as it continues to see a high volume of opportunities as MGAs and reinsurers seek long-term relationships in this arena.

Total Business

Overall, the Company reported a technical profit of £19.55m (after an allocation of £2.72m in investment losses) for the 12 months to 31 December 2022 (2021: £14.93m) and is summarised below by material line of business with the comparative analysis for 2021.

Year ended 31 December 2022:	**WC**	**GL**	**Motor**	**Property**	**CA**	**CS**	**Other**	**Total**
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	**£'000s**
Earned premiums, net of reinsurance	11,246	9,581	26,040	7,866	4,101	1,380	163	60,377
Acquisition costs, net of reinsurance	122	(2,100)	(8,638)	2,338	(1,070)	(431)	(114)	(9,894)
Claims incurred, net of reinsurance	(5,930)	311	(29,277)	(1,346)	390	(815)	(5,009)	(41,676)
Net Underwriting Result	5,438	7,793	(11,874)	8,858	3,420	134	(4,961)	8,807
Other technical income	(65)	4,617	4,555	9,208	6	477	1,539	20,336
Claims Handling Cost and other technical expenses	(140)	(929)	(1,064)	(1,379)	(196)	11	(3,178)	(6,875)
	5,233	11,480	(8,383)	16,687	3,230	621	(6,600)	22,268
Allocated investment income	(590)	(471)	(775)	(134)	(150)	(14)	(588)	(2,722)
Net Technical Result	**4,643**	**11,010**	**(9,158)**	**16,553**	**3,081**	**607**	**(7,189)**	**19,546**

Year ended 31 December 2021:	**WC**	**GL**	**Motor**	**Property**	**MF**	**MAT**	**Other**	**Total**
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	**£'000s**
Earned premiums, net of reinsurance	3,325	5,140	21,403	16,166	3,375	2,132	1,473	53,014
Acquisition costs, net of reinsurance	0	(1,120)	(4,823)	(2,089)	(96)	(111)	(672)	(8,911)
Claims incurred, net of reinsurance	366	(4,616)	(10,789)	(15,446)	(2,851)	(2,628)	(1,072)	(37,036)
Net Underwriting Result	3,691	(596)	5,791	(1,368)	428	(608)	(272)	7,067
Other technical income	(318)	2,683	8,621	(1,014)	187	(70)	1,364	11,452
Claims Handling Cost and other technical expenses	(192)	(110)	(1,788)	57	(24)	(54)	(260)	(2,370)
	3,181	1,978	12,624	(2,325)	591	(731)	832	16,149
Allocated investment income	(217)	(275)	(234)	(240)	(47)	(94)	(114)	(1,222)
Net Technical Result	**2,964**	**1,703**	**12,390**	**(2,566)**	**544**	**(825)**	**718**	**14,928**

Further detail is included within form AS.05.01.01 (attached within Appendix 2).

The material classes of business and geographical segmentation as defined by Gross Claims Reserves held by the Company are included within the below tables. In defining the geographical segmentation, the Company has assessed the geographical location of its Gross Claims Reserves (technical provisions less UPR) as being the most appropriate reflection of the exposure.

Gross Claims Reserves	**2022**	2021
	£'000s	£'000s
Workers Compensation (WC)	20,389	21,376
General Liability (GL)	67,507	40,339
Motor	222,449	142,545
Property	34,584	43,794
Casualty (CA)	18,182	4,192
Credit Surety (CS)	4,219	516
Marine, Aviation, Transport (MAT)	8,818	5,958
Other	10,129	7,306
Total	**386,275**	266,026

Geographical Segmentation of Classes of Business

	2022	2021
Australia	**2.13%**	1.49%
Europe	**13.97%**	15.79%
Israel	**0.40%**	0.64%
New Zealand	**0.02%**	0.06%
United Kingdom	**81.59%**	78.74%
United States	**1.27%**	2.12%
Other	**0.62%**	1.17%
Total	**100.00%**	100.00%

A3. Investment Performance

The Company's investment strategy covers the following:

- Invest primarily in marketable, investment grade-rated, short- and intermediate-term securities. Minimal investment will be made in fixed-rate long-term maturities. The Company will also consider loans to and investments in Group undertakings. Each prospective company investment will be considered as part of the overall Group investment strategy subject to appropriate controls, and on its own merits in terms of magnitude, available liquidity, and forecast risk/return.

- Adjust asset allocation mix and fixed-income sector weightings consistent with the outlook for markets, business conditions and corporate profitability.

- Limit over-concentration of assets in individual issuers.

- Exclude futures contracts, structured notes, options or venture capital, except for hedging purposes.

- Optimising the returns versus the capital charges due to investments whilst also matching the assets and liability duration with ranges deemed reasonable by the Company.

The Company's investment portfolio can be analysed as follows:

	2022	2021
	£000s	£000s
Units in Collective Investment Schemes	**49,100**	15,400
Equities	**15,878**	7,683
Debt Securities	**135,479**	104,539
Other Investments	**1,660**	-
Loans to Group	**38,064**	38,060
Deposits with Banks	**7,769**	5,472
Investment property	**-**	1,350
Cash at Bank	**37,830**	10,194
Total	**285,780**	182,698

Due to the prevailing conditions in global capital markets, the Company incurred a net investment loss for the year of £4.35m (2021: £2.93m). This result is mainly attributed to unrealised fair value losses on debt securities and other equity investments of £11.42m (2021: £2.71m) for the year and realised fair value losses of £1.23m (2021: £0.32m), compensated by interest income of £2.15m (2021: £2.04m) on those same debt securities as well as by unrealised gains on exchange of £6.18m (2021: unrealised loss on exchange of £2.18m).

The breakdown of the investment return is as follows:

	2022	2021
	£000s	£000s
Interest on group loans	**1,147**	513
Interest on debt securities	**2,203**	2,043
Net fair value (losses)/gains on equities and debt securities	**(14,295)**	(3,219)
Dividend income on equities	**349**	-
Net exchange differences	**5,671**	(2,254)
Rental income	**852**	163
Investment management fees	**(282)**	(209)
Other investment income	**-**	32
Total	**(4,355)**	(2,931)

The Company enjoys a steady interest income flow on funds invested in debt securities. The increase in interest income on loans to the Group is attributable mainly to a higher interest rate charged to the group companies. In addition, the Company obtained ownership of a commercial property in 2021, thus earning rental income, through the merger of RQIE. The Company disposed of its investment property during the year, which had a carrying value of £1.35m as at the end of the previous financial year, for a consideration of £1.40m.

All investment returns are recognised in the profit and loss account. The Company had no significant investments in any securitisations.

A4. Performance of other activities

There are no further material matters to report here.

A5. Any other information

Overall Result

Despite the increase in the operating expenses as a result of the ongoing projects, the Company registered a decreased loss before tax of £3.97m (2021: £5.34m) for the year under consideration, driven by the increase in the technical result.

The Company is in the latter stages of a period of significant operational change, driven by a number of different overarching projects, aimed at automating and radically improving the Company's core operational systems and streamlining business processes across the R&Q Group, in order to achieve a wide array of efficiencies to the Company's main workstreams. These projects have progressed in a staggered and risk-based approach, and following significant efforts made in 2022 are in line to be completed by the implementation target date of mid-2023. The Company is also finalising the foundations for the substantial reporting and operational changes that will result from the implementation of the new accounting standard *IFRS 17 – Insurance Contracts*, that came into force on 1 January 2023. As anticipated, these separate yet interlinked projects as well as the continued investment in growing the program business has significantly increased the Company's cost base. The Company's relatively high-cost base coupled with investment losses, resulted in a loss before tax for the year under review, despite a promising and improving technical result.

The Directors believe that once the current projects are completed, the rate of growth in technical income will outpace the rate of growth in costs. This development will result from a strong business strategy that continues to prove it can leverage market opportunities, as well as from the continued effective management of costs, and the Company reaping the benefits of the successful implementation of the current projects.

Currency exposures

As indicated within Section A2, given the global nature of the underlying business, particularly the reinsurance business, the Company carries technical reserves in the following major foreign currencies: Euro, US Dollar, Australian Dollar, Danish Kroner and Norwegian Kroner. In line with its guidelines for investing in foreign currency, the Company aims to match its currency exposure on the assets and liabilities in order to minimise currency risk exposure as far as possible. In doing so, the Company also takes into consideration currency exposure on a Solvency II Balance Sheet basis, and the Company is willing to tolerate an additional level of currency risk on an IFRS basis if that results in increased capital efficiency. Calibration of currency exposures takes place on a quarterly basis post quarter-end and any temporary mismatches that are not a result of increased capital efficiency are adjusted post quarter-end.

	Assets in foreign currency		**Liabilities in foreign currency**		**Net Exposure**	
	2022 £000	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Currency of exposure:						
USD	**61,137**	44,005	**(65,565)**	(40,157)	**(4,428)**	3,847
EUR	**222,964**	144,631	**(188,321)**	(143,343)	**34,643**	1,288
AUD	**23,134**	5,834	**(36,432)**	(6,108)	**(13,298)**	(275)
CAD	**170**	123	**(189)**	(123)	**(19)**	-
DKK	**(1,144)**	46	**2,300**	(90)	**1,156**	(43)
NOK	**1,427**	1,377	**(1,220)**	(1,409)	**207**	(32)

B. System of Governance

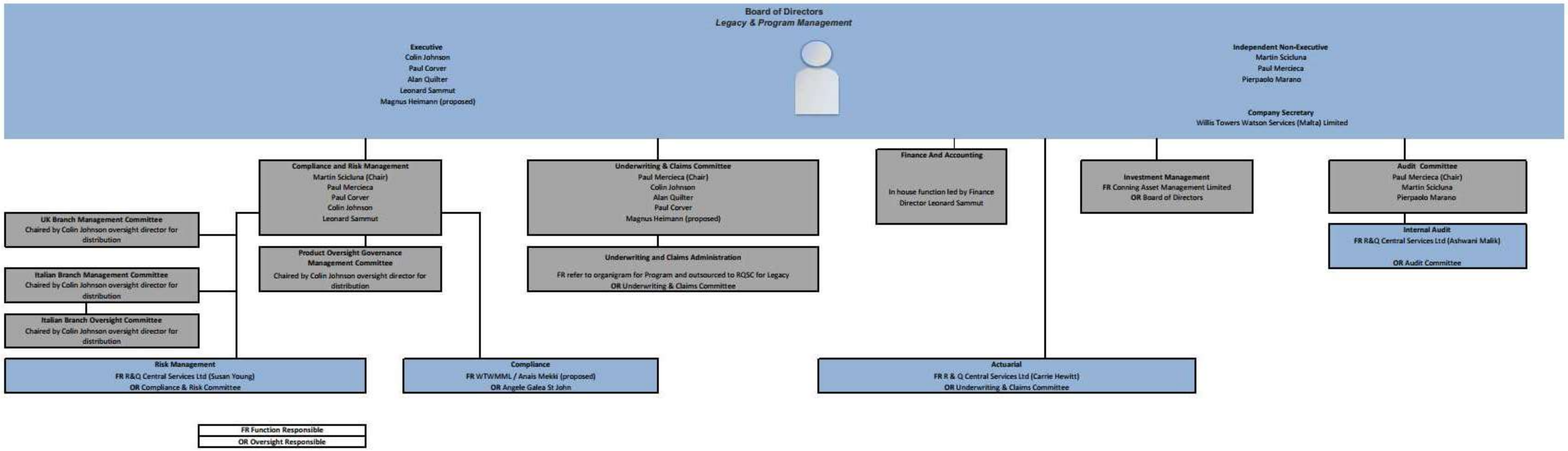
B1. General Information on the System of Governance

Structure of Administrative Management

The Board of Directors recognises that it needs to be able to demonstrate that it has a system of governance which meets its regulatory expectations and is proportionate to the nature of the business, complies with existing requirements and is flexible enough to be able to adapt to changes in the regulatory and statutory environment. The system of governance is regularly reviewed and assessed to ensure it is appropriate given the nature, scale and complexity of the risks inherent to the Company.

The Organisation Structure of the Company as at 31st December 2022 is depicted in the following table:

Accredited Insurance Europe limited - Organisational Structure



The Board of Directors:

- Provides entrepreneurial leadership of AIEL within a framework of prudent and effective controls which enables risk to be assessed and managed.
- Sets AIEL's strategic aims, ensures that the necessary financial resources are in place for the Company to meet its objectives.
- Sets AIEL's values and standards and ensures that its obligations to its shareholders and others are understood and met.
- Complies with all statutory and common law duties of a company registered in the European Union.
- Complies with the Memorandum and Articles of Association of the Company.
- Complies with requirements set out in the Maltese Regulatory framework governing its authorisation.
- Oversees the establishment and maintenance of robust and clearly documented systems and controls in accordance with applicable regulations.
- Oversees the process of outsourcing, and monitors the discharge of the Compliance, Risk Management, Internal Audit and Actuarial functions.
- Agrees the Investment Strategy and monitors the results against the strategy
- Monitor compliance with the FCA Consumer Duty Rules and Guidance
- Appoint a Consumer Duty Champion

In order to discharge its duties, the Board meets at least quarterly and on an ad-hoc basis as required.

The Board exercises accountability through oversight of a number of board committees who have the responsibility to oversee key functional areas of the Company. The relevant Committees are described below.

Risk and Compliance Committee

The Board has tasked this Committee to oversee the management of enterprise risk and the compliance with the regulatory framework within the Company's internal control system. In this context, the Committee ensures that all regulatory and reporting obligations in relation to the above are met.

The Committee is also responsible for approving any new products, renewals of existing products or modified products, as per the delegation of authority given by the Board of Directors.

The following duties are set to achieve the above:

- To have oversight of the Compliance activity within the Company
- To review progress of any regulatory audit, or reviews, any requirements associated therewith, any recommendations arising and implementation thereof
- To monitor compliance with legal and regulatory requirements, generally and specifically, filings including
- To consider referrals from management from time to time
- To approve the Compliance Charter, and to receive Management Information on breaches, conduct risk management information and complaints

- To approve the Delegated Authority Oversight Framework, approve the annual plan, receive final reports and monitor completion of actions
- To approve the annual Compliance Plan and monitor progress
- To monitor compliance with the FCA Consumer Duty Rules and Guidance
- To review on a regular basis all AIEL Risk Registers and/or similar Risk Management information that might have been implemented and maintained, to suggest enhancements, approve deletions and additions, and oversee monitoring and implementation.
- To regularly evaluate the effectiveness and completeness of the Risk Management System
- To receive and review the yearly ORSA and other regulatory reporting
- To formally review appropriate policies and approve the associated processes, procedures, controls and templates established by management for Risk Management and Internal Control and ensure the following have been taken into consideration before escalating to the Board where necessary:
  - ⇒ The nature and extent of risks facing AIEL and its operations;
  - ⇒ The extent and categories of risk which the Board regards as acceptable for AIEL to bear;
  - ⇒ The likelihood of the risks concerned materialising;
  - ⇒ The ability of AIEL to reduce the incidence and impact on the business of risks that do materialise;
  - ⇒ The costs of operating controls relative to the benefit thereby obtained by managing the related risks.
- To make proposals on risk appetite to be put forward for Board approval
- To consider and report on the different types of risk including, but not limited to:
  - ⇒ Insurance Risk
  - ⇒ Market Risk
  - ⇒ Strategic Risk
  - ⇒ Operational Risk
  - ⇒ Credit Risk
  - ⇒ Liquidity Risk
  - ⇒ Group Risk
  - ⇒ Regulatory/Legal Risk
  - ⇒ Emerging Risk
  - ⇒ Asset Liability Matching
- To ensure that appropriate levels of Risk Management reporting are maintained to the Committee and from the Committee to the Board.
- To have regard for any Risk Review carried out by a regulatory body or an associated regulatory body and ensure that the information and evidence given is in line with expectations.

In order to discharge its duties, the Committee meets at least quarterly and on an ad-hoc basis as required.

The Underwriting and Claims Committee

The Board has also established an Underwriting and Claims Committee which is tasked to assist the Board in discharging its responsibilities and attend to the following:

- Determine and review on an annual basis the reinsurance strategy of the Company
- Review Security Ratings of Reinsurers as prepared by Management
- Provide advice to the Board
- Review the underwriting results of each portfolio on a quarterly basis
- Determine and implement on behalf of the Company suitable premium and contract terms in respect of the 'legacy' risks underwritten by the Company brought to it by its' intermediaries' network and refer to the Board accordingly
- Review contract wordings as applicable
- Assess potential new underwriting opportunities
- Review of agreements with brokers, reinsurers and other insurance advisors relative to 'legacy' business as applicable
- Set the underwriting parameters in line with the risk appetite of the Company
- Ensure that the Head of Underwriting for programme business is operating in line with the underwriting parameters and reinsurance strategy of the Company and in line with the delegated authority granted to him by the Board
- Determine and annually review the claims reserving policy of the Company
- Review of reports on major claims incurred and appropriateness of reserves held
- Review of Actuarial Function report on reserves held

In order to discharge its duties, the Committee meets at least quarterly and on an ad-hoc basis as required.

The Audit Committee

The Board has also established an Audit Committee which has oversight of the Company as a whole and, unless required otherwise by regulation, carries out the duties below:

External auditor

a) To make recommendations to the Board to appoint, dismiss, agree compensation of and oversee the work of the independent auditor in connection with conduct of the audit, issuing an audit report and related work (including liaising between management and the auditor regarding financial reporting), including:
   i. Reviewing the experience and qualifications of the independent audit firm and the senior members of the independent auditor team;
   ii. Obtaining and reviewing a report from the independent auditor at least annually regarding the auditors internal quality-control procedures,
   iii. Evaluating the performance of the independent auditor;
   iv. Presenting its conclusions on the preceding point to the Board, taking any actions deemed necessary or desirable by the Audit Committee to satisfy itself as to the qualifications, performance and independence of the independent auditor, and making

any recommendations to the Board concerning such matters as the Audit Committee deems advisable;

v. Meeting with the independent auditor prior to the audit to discuss the planning and staffing of the audit;
vi. Receiving direct reports from the independent auditor in connection with conduct of the audit, issuing an audit report and related work;
vii. Reviewing and agreeing the independent auditors annual engagement letter (including terms of remuneration); and
viii. Assessing the effectiveness of the audit process.

(b) To receive, and take any appropriate action in relation to all reports and other communications which the independent auditor is required to make to the Audit Committee, including timely reports concerning:

i. All critical accounting policies and practices to be used;
ii. All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the Company
iii. Ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
iv. Other material written communications between the independent auditor and the management of the Company, such as any management letter or schedule of unadjusted differences.

(c) To review and discuss with management and the independent auditor the annual audited financial statements (and where practicable any other material public or regulatory financial statements), including disclosures made in management's discussion and analysis and the audit representation letters, and recommend to the Board whether the audited financial statements should be approved.

(d) To discuss with management and the independent auditor significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements.

(e) To review and discuss with management the reserving methodology and process of establishing the Company's reserves, together with internal or external reports or studies.

(f) To discuss with management, the internal accountants and the independent auditor the effect of regulatory and accounting initiatives.

(g) To meet with management, the internal accountants / auditors and the independent auditor separately quarterly or at such other interval as the Committee deems reasonable.

(h) To monitor the independence of the independent auditor, including:

- Evaluating the independence of the independent auditor, including whether the provision of non-audit services is compatible with maintaining the auditors independence;

- Approving or disapproving any engagement by the Company or its subsidiaries of the independent auditor to perform any non-audit services, subject to a de minimus threshold of €5,000;

Financial Internal Controls

(i) The Committee shall keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control systems; and review and approve the statements to be included in the annual report concerning internal control and the viability statement

(j) To receive from management reports on the effectiveness of the internal control and risk management systems, and the conclusions of any testing carried out by internal and external auditors.

Internal audit

(k) To approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;

(l) To review and approve the annual internal audit plan to ensure it is aligned to the risks of the business, and receive regular reports on work carried out;

(m) To ensure Internal Audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate as well as to ensure that there is open communication between different functions.

(n) To ensure the internal audit function evaluates the effectiveness of other functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;

(o) To ensure the Head of Internal Auditor has direct access to the board Chair and to the Committee Chair, providing independence from the executive and accountability to the Committee;

(p) To monitor and review the effectiveness of the internal audit function and approve the appointment or termination of the internal auditor.

Whistleblowing

(q) To recommend to the Board for adoption a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting, auditing or other matters.

(r) review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;

(s) review the Company's procedures for prevention of fraud;

(t) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

General

(u) To review and reassess the adequacy of these terms of reference and its own performance annually and recommend any proposed changes to the Board for approval.

Internal Control Framework

The Company has put in place a comprehensive and effective internal control system encompassing all activities, including those carried out by outsourced service providers, to ensure well-ordered and efficient operations. This is achieved through the following internal control framework:

1. ensuring the presence and application of individual internal policies and procedures for each of the key functions and activities of the Company;
2. ensuring that adequate approval procedures, authorization authorities, verification, reconciliations, and review procedures are in place for each function or activity and are adequately documented and communicated;
3. ensuring that adequate controls are in place pertaining to safeguarding the integrity and protection of information;
4. ensuring sufficient monitoring mechanisms are in place to facilitate assessments of the effectiveness of the controls in place; and
5. ensuring that proper procedures of the Compliance Function are in place, the Compliance Policy is being applied and the Compliance Plan is being implemented.

The Internal Control Framework is linked with the Risk Management Framework through each risk in the Risk Register being allocated a series of mitigating controls in order to bring the overall risk ratings to a level which are acceptable to the organisation i.e. within the risk appetite and tolerance limits.

Risk Management Function

As part of its Risk Management Framework, the Company has established a Risk Management Function as set out in the Risk Management Policy. AIEL's Risk Management System (RMS) is a cohesive set of components, processes, policies, roles and responsibilities that in total are designed to sustain and uphold robust risk management throughout the business. It helps to ensure that the Company's performance and objectives are not undermined by unexpected events.

AIEL operates within a "Three lines of Defence" model that defines clear responsibilities and accountability for risk taking, as defined in the AIEL system of governance. AIEL has an appropriate Risk Appetite Framework which is:

- Articulated via a series of quantitative and qualitative statements.
- Supported by Key Risk Indicators (KRIs).
- Covering all the risk categories of the Company.

The risk appetite statements are reviewed by the Compliance and Risk Committee and approved annually by the Board in line with the strategy and risk profile.

The Board, together with the Risk Management Function and the Compliance and Risk Committee, considers the applicability and magnitude of the respective risk to the Company when deciding whether a specific policy is required to be drafted and embedded.

Unless otherwise stated, AIEL follows and embeds the Risk Management Function's suite of risk management tools and processes that enable the business to identify, assess, manage, monitor and report on its risks. AIEL, in line with the Group's Risk Management System, processes and procedures, is responsible for:

- Identifying its own risks and controls in line with the defined risk universe;
- Assessing its risk and controls in line with the Group's Risk Management System, processes and procedures;
- Managing and monitoring its risks on an on-going basis, ensuring that the risks are mitigated to an acceptable level;
- Reporting on any internal losses or near-misses to the Risk Management Function;
- Supporting the Risk Management Function with risk reporting to the Compliance and Risk Committee and Board.

Compliance Function

As part of its Internal Control Framework, the Company has established a Compliance Function as set out in the Internal Control Policy and Compliance Charter.

The Compliance function is responsible for:

- Proposing the Compliance Framework, strategy and the related policies, procedures, and Compliance Plan, for approval by the board
- Verifying that compliance / conduct risks identified are recorded in the overall Risk Register
- Monitor the training given to all staff and directors ensuring that it covers awareness of relevant laws, rules and standards as well as the need to comply with these
- Delivering the compliance plan, including tracking actions and any rule breaches and managing these to effective completion and closure
- Providing assurance to management and the Board that the business complies with applicable laws and regulations, the related internal policies and procedures, and the appropriate ethical standards
- Providing assurance to management and the Board that the policies and procedures are implemented
- Monitoring the completion of all regulatory returns within the stipulated deadlines
- Liaison with applicable regulatory bodies on the extension of permissions, licences, or other regulatory requirements.
- Managing complaints and conducting root cause analysis to inform business improvement where necessary
- Identifying and interpreting new and existing legislation and regulations applicable to AIEL,

and communicating this to the business and the Compliance and Risk Committee and Board to ensure compliance

- Coordinating a response to regulatory enquiries, consultations, and requests for information

Actuarial Function

The activities of the Actuarial Function are to :

1. Coordinate the calculation of technical provisions.
2. Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions.
3. Assess the sufficiency and quality of the data used in the calculation of technical provisions.
4. Compare best estimates against experience.
5. Inform the Board of the reliability and adequacy of the calculation of technical provisions
6. Express an opinion on the overall underwriting and reinsurance policy.
7. Contribute to the effective implementation of the Risk Management System, in particular with respect to the risk modelling underlying the calculation of the capital requirements
8. Express an opinion on the calculations and underlying assumptions of the SCR and MCR

Internal Audit Function

The Board acknowledges that the internal controls and system of governance of the Company must be supplemented by an effective Internal Audit function that independently evaluates the control systems within the Company.

The Internal Audit function periodically evaluates the adequacy and effectiveness of the internal control system and other elements of the system of governance of the Company.

The Internal Audit Function discharges its duties in line with recognised internal audit practices and keeps abreast of any developments in relation to these practices.

Changes in the System of Governance.

During the year, Mr. Leonard Sammut was appointed as Director of the Company and member of the Compliance & Risk Committee, replacing Mr David Busuttil who resigned on 31 December 2021. Mr Magnus Heimann was appointed on the Board and on the Underwriting and Claims Committee on the 9th March 2023.

The person responsible for Compliance within Willis Towers Watson Management (Malta) Ltd (the outsourced Compliance Function) changed from Ms Marie Louise Cassar to Ms Anais Mekki.

Ms. Marie Louise Cassar of Willis Towers Watson Management (Malta) Limited resigned from the post of Compliance Officer with effect from the 28th of October 2022. This resignation was not due to any regulatory reasons and no circumstances needed to be brought to the attention of the Company and the MFSA.

Ms. Anais Mekki of Willis Towers Watson Management (Malta) Limited was approved by the Board of Directors on the 27th of September 2022 to replace Ms. Marie Louise Cassar as Compliance Officer. Her Personal Questionnaire was submitted to the MFSA for approval.

The organogram in Section B reflects the position after these changes.

Except for the changes indicated above, no significant changes in the system of governance, including the risk management system, occurred during the year under review.

Remuneration Policy

As at 31 December 2022, the Company employed a total of 49 staff. The Company continues to outsource certain functions to the Group and to other third-party providers. Further detail of outsourced arrangements is included in Section B7. Non-independent directors are not compensated separately for duties as directors since this is part of their overall employment responsibilities.

The Company's remuneration policy sits under the oversight of the Board of Directors. The Company is committed to ensuring that its practices promote the achievement of the overall aims and objectives of the Company, its financial stability and its risk management framework. The Company's Remuneration Policy is formulated to attract and retain high-calibre individuals and to motivate them to develop and implement the Company's business strategy in order to optimise long-term shareholder value creation whilst ensuring that no excessive risk taking on the part of the individuals is instigated.

Independent Non-Executive Directors are remunerated on a fixed fee basis only, which is based on experience, responsibilities and level of time commitment.

No key management personnel, or key function holders are entitled to share options or to any form of variable remuneration and neither are they eligible to any supplementary pension or early retirement schemes.

Transactions with Shareholders

As disclosed within Section A3 above, the Company has loaned back £38.064m to immediate and ultimate Shareholders as at 31 December 2022. The loans are unsecured and repayable within one year and attract a market interest rate.

There are no other material transactions with Shareholders, members of the management body or those exerting a significant influence over the Company.

B2. Fit and proper requirements

The Board of Directors and Officers

The Company ensures that it is directed and managed by persons who are fit and proper persons to hold their respective positions and that those Directors and Officers are:

- Professionally competent and capable to carry out their responsibilities and have demonstrated this through their knowledge, experience and training.

- Honest, of integrity, financially sound and reputable.

The assessment of the management and technical competence of an individual is based on their previous experience, knowledge and professional standing, which demonstrates due skill, care, diligence, and compliance with the relevant standards of the area/sector they have worked in. In relation to director appointments, the assessment also considers how the proposed appointment would augment the collective fitness and proprietary of the Board as a whole.

The assessment of reputation includes checks as to whether there are any reasons to believe from past conduct that an individual may not discharge his duties in line with applicable rules, regulations and guidelines.

On an annual basis, the Compliance Function initiates a fit and proper assessment process by which all directors and function holders are asked to complete an internal questionnaire to confirm they are still fit and proper for purpose. Any training needs are identified and addressed. The Board of Directors collectively assess the results. In addition, a Board and Committee Evaluation is carried out to ensure there is no knowledge gap in the Board and Committees compositions.

B3. Risk Management System including the Own Risk and Solvency Assessment

Purpose

AIEL's risk management framework ("RMF") seeks to support its business strategies, enabling it to select those risks that can enhance value creation, closely manage those risks that are unrewarded, optimise and protect its capital base, support decision making and protect its reputation and brand.

The Board ensures that the business implements risk policies, delivers the business plan within risk appetite and manages AIEL 's risk profile. This is achieved through a combination of quantitative and qualitative risk management, realised through a well-established risk culture, effective risk governance and risk transparency.

Risk Management strategies and processes

AIEL adopts the Group's risk management Framework ("RMF") which forms an integral part of the management and Board processes. This framework enables the Board to draw assurance that the risks to which the AIEL may be exposed are being appropriately identified and managed within its risk appetite, and that risks that may present significant financial loss or damage to the Company's reputation are being minimised. This helps to ensure that the achievement of the Company's performance and objectives is not undermined by unexpected events.

Risk Governance and Culture

To achieve AIEL's mission and goals, staff at all levels of the organisation are engaged in the management of risk. This is realised through a strong ''tone at the top'' that emphasises the importance of effective risk management, with management accountable for embedding risk in their own areas. The Group continues to adopt the "three lines of defence" governance model, both at Group and entity level, of which the risk management function forms part. This is illustrated and explained below:

First Line of Defence

The first line of defence has primary decision making authority at the "coalface", and accordingly its focus is as follows:

- Operational decision making to execute and implement the Group's and its managed entities' strategic objectives;
- Facilitation and oversight of the business plans of the Group and its managed entities, including delivery against predetermined goals;
- Day to day management of business activities;
- Management of the risk profile of the business, in line with AIEL Board and stakeholder expectations.

The first line of defence includes the Board. In this context, the Board has ultimate accountability for risk management, the related control environment and for approving and reviewing any relevant risk policies, including risk appetite frameworks. In practice, responsibility is devolved to the relevant executive/functional committees and the Company's Compliance & Risk Committee.

Risk owners retain overall responsibility for managing the risks for which they are the designated owner, including those risks where some or all of the controls in place have a separate control owner (i.e. the operation of the control is in the charge of another manager).

Second Line of Defence

The second line of defence provides a key input into tactical and strategic decision making, and its overall focus is on the following:

- Provision of assurance to the Board that the risk profile, as represented in the relevant risk register or otherwise, and the associated internal control framework is in line with Board and stakeholder expectations. Where it is not, appropriate actions with owners and timescales are proposed to bring it back into line with those expectations.
- Escalation of all material risk issues to AIEL's Compliance and Risk committee and Board and, where appropriate, to the Group Risk and Compliance committee.
- Provision of input, challenge and oversight of first line decision making where appropriate, i.e. the input of risk and capital information to aid effective decisions.

Third Line of Defence

The third line of defence provides independent assurance and challenge across all business functions in respect of the integrity and effectiveness of both the risk management system and internal control system.

The internal audit function is sourced in-house within the Group and supplemented with third party professional resources as and when appropriate. It is responsible for independently assessing the effectiveness of the risk management processes and practices, and for providing timely objective assurance on the control of risk.

Internal audit activity is carried out in accordance with an annual pre-agreed audit plan.

Risk Transparency

Underpinning the three lines of defence is risk transparency within the Group and its managed entities. This involves raising awareness and understanding of risk across the group, effective reporting of risk internally and appropriate disclosure of risks to all interested stakeholders, internal and external.

Risk Appetite Framework

The Board recognises that a well-defined risk appetite supports the business decision making and planning. The Board reviews and sets the risk appetite at least annually, and when there is a significant change in business strategy. Key risk indicators which support the risk appetite statements are monitored and reported on quarterly.

The risk appetite framework sets the boundaries within which risk taking should remain in order to meet the expectations of the capital providers and other stakeholders. For AIEL, this is articulated via a series of quantitative and qualitative statements covering all categories of the risk universe (see 'Risk & Control Management Process').

Risk Policies

AIEL adopts the Group's three tier group risk policy structure, tailoring them in regard to regulatory requirements, the Company's risk profile and the principles of proportionality. The Company's tier three risk policies determine the way in which risks are to be managed and controlled within the Company. The Board of Directors ensures that the policies are reviewed regularly, at least annually, to reflect the changing business and regulatory environment.

The risk management function together with the respective business owners, Compliance and Risk Committee and Board, considers the applicability and magnitude of the respective risk to AIEL when deciding whether a specific policy is required. This assessment process takes into account the Company's business profile and the local market and regulatory environment context.

Risk & Control Management Process

A key element of effective risk management is to ensure that the business has a complete understanding of the risks it faces.

The following diagram shows the risk management cycle, demonstrating the iterative nature of the risk management process, and is followed by a high level explanation of the key steps and processes involved.

The identification, assessment, control/mitigation and monitoring of risk are continuous processes.

Risk Identification (new and emerging risks)

Risk identification seeks to identify those risks that may prevent the achievement of business objectives. The risk identification step also determines possible causes, potential consequences and opportunities.

The Company is responsible for identifying risks to its business objectives and to periodically highlight any new risks that may be developing over time, or changes in existing risk levels such that they are reported and responded to appropriately.

Each risk is allocated a risk owner and a delegated owner. All identified risks are recorded on the risk register which records the likelihood of occurrence, the expected impact and the mitigating controls in place. The risk register is a ''live'' document and is updated each time a risk/mitigant/control is identified or changed.

Risk Assessment and Quantification

Following on is the assessment of the likely frequency and severity of risks, by means of qualitative or quantitative measurement. This stage of the cycle involves the participation of the risk and delegated owners.

Risk Control/Mitigation and Reporting

The level of each risk must then be managed or controlled down to a satisfactory level. This stage will not only involve both risk and control owners within AIEL but also many other outsourced Group functions that are involved in undertaking control activities.

Reporting

It is critical that the relevant information for each key risk is seen by the "right people at the right time" across both AIEL and the Group. This information is provided by risk and control owners and owners of key risk indictors, as they are closest to the issues. This information is reported on a regular, timely and consistent basis. Reporting is consolidated and/or reviewed by the Group's risk management function and then escalated up to senior management, the Compliance and Risk Committee and the Board.

Regular Reporting

Routine risk reporting consists of summary reports to the Compliance and Risk Committee and the Board. This contains summary information on changes to the risk profile any significant issues arising out of the risk workshop process, any new emerging risks, and significant risk management activity during the period under review and any movement in KRIs.

Review

Once the key business risks have been identified, assessed and are subject to controls throughout various parts of the business, it is important to ensure that these control/mitigation activities are operating effectively and that the risk and control scoring is valid. Assurance is provided over risks and controls by resources which are independent of line management, e.g. the Group's risk management or internal audit functions and Compliance and Risk Committee and/or Board.

Emerging Risks

The Company identifies its emerging risks as part of its ORSA process as well as participating in the Group's Emerging Risk Focus Group facilitated by the risk management function. This is a multi-disciplinary focus group which meets tri-annually to identify, assess and monitor emerging risks. Consideration is not only given to new emerging risks and issues, but also to emerging elements of existing risks. Identified risks are then reviewed by the focus Group and developments are monitored via the emerging risks heatmap and are reported to the appropriate risk committee. Environmental, Social, and Governance ("ESG") risks are considered as part of the emerging risk framework and as part of the work done by the Group ESG forum as well as the work carried out to meet the requirements of the Task Force on Climate-related Financial Disclosures

Environmental, Social, and Governance ("ESG") risks are considered as part of the emerging risk framework and as part of the work done by the Group ESG forum as well as the work carried out to meet the requirements of the Task Force on Climate-related Financial Disclosures

Stress and Scenario Testing

The Company undertakes stress and scenario testing exercises (including reverse stress testing) periodically, having regard to the likely impact on the organisation at varying return periods. The aim is to gain a better understanding of the risks faced by the Company and its subsidiaries under stressed conditions.

The results from stress and scenario tests provide an important input to the own risk and solvency assessment ("ORSA") processes and the validation of the regulatory capital for the Company.

Own Risk and Solvency Assessment

The ORSA process is owned by the Board (delegated to the Compliance and Risk Committee). An ORSA Report is provided to the Risk and Compliance Committee and Board, at least annually, and more frequently if circumstances dictate, to support its oversight and management of the identified risks of the Company.

The ORSA process is fundamentally a continuous, embedded, forward-looking process, requiring the assessment of the entity's needs over a longer time planning horizon than the Solvency Capital Requirement ("SCR"). The ORSA planning horizon is required to be three to five years. Furthermore, the ORSA is required to look at a range of outcomes in addition to the 1-in-200 return period.

The ORSA process takes place continually as part of the business and capital planning cycle.

How the ORSA is reviewed and approved

The Company's ORSA process is owned, steered and challenged by the Board through the review and approval of those individual processes and outputs that underpin it. The primary elements of the capital and solvency assessment are core to the consideration in the growth of the program business and new portfolio transfers and are required by both the Board and the regulator prior to approval of same. The process is supported by AIEL's outsourced actuarial, risk and compliance services.

B4. Internal control system

Internal Control is defined as a process effected by each Company in relation to its organisational structure, work and authority flows, personnel and management information systems that is designed to help it to meet its specific goals or objectives.

As part of its System of Governance, the Company has in place an Internal Control System that covers the identification, measurement, management and monitoring of internal controls. The Company has developed a suite of Policy and Procedural documentation for each of its functional areas. The Governance Structure owns these documents and is responsible for reviewing these regularly (at least annually and/or whenever there is a material change, if this occurs within the year) in conjunction with the respective functional areas.

The Internal Control Framework is linked to the Risk Management framework through each Risk in the Risk Register being allocated a series of mitigating controls, to bring the overall risk ratings to a level which is acceptable to the organisation, i.e. are within Risk Appetite and Tolerance limits.

The Company applies and maintains the agreed internal controls as a normal part of its operational activities. Any failures, or observed weakness identified by the Company as part of its ongoing activity, are reported to the Board as soon as is practicable.

The Internal Audit Function reviews, evaluates and reports on its review of the Internal Control System to the Audit Committee.

Any relevant findings or recommendations identified by the external auditors during the discharge of their duties are reported to the Audit Committee in line with standard audit practices, and any such findings are considered by the Audit Committee together with the recommendations and findings of the Internal Audit Function.

B5. Internal Audit Function

The Company is serviced by a Group Internal Audit ("GIA") function that provides independent assurance to the Audit Committee and Management that the organisation's risk management processes and control framework are operating effectively and efficiently, and that there is compliance with the relevant policies and procedures. In this regard, GIA liaises with the Compliance and Risk Management Functions.

Authority

GIA, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any of the Group's records, physical properties, and personnel pertinent to carrying out any assignment.

All employees are required to assist GIA in fulfilling its roles and responsibilities, and to engage openly and constructively with GIA and disclose information relevant to their work.

The Head of Internal Audit ("HIA") also has the right to attend and observe all or part of Executive Committee meetings and any other key management decision making forums (as may be required from time to time). In the event management is uncomfortable with GIA's access to certain documents requested, the HIA must bring such matters to the attention of the Chairman of the Company's Audit Committee, to assist with the information being released.

Reporting Lines

The primary reporting line for the HIA is to the Chair of the Company's Audit Committee. The Audit Committee is responsible for the appointment and removal of the HIA.

The HIA:

- Communicates and interacts directly with the Audit Committee and has direct access to its Chair and members in between Audit Committee meetings;
- Has the right of access to the Company's Chair and to any of its directors; and
- Has the responsibility to report promptly any significant issues to the Company's Audit Committee and has direct access to the Chairs of the Group's Board and Audit Committee.

All internal auditors have an exclusive reporting line through to the HIA.

Independence

GIA is independent of the Company's other functions, including those responsible for risk, compliance, governance and finance. All other functions may be subject to audit. GIA will therefore neither be responsible for, nor part of, Risk Management, Governance, Compliance or the Finance function, nor perform any function that is the responsibility of management.

The HIA will confirm to the Company's Audit Committee, at least annually, the organisational independence of GIA.

GIA has a process for managing and reporting conflicts of interest and there are safeguards to limit any impairment to independence or objectivity.

GIA is a Group function. As such, no member of GIA is employed by the Company or has any element of their remuneration directly linked to the results of the Company.

External Quality Assessment

At the request of the Group Audit Committee, and in accordance with best practice, GIA is subject to a periodic External Quality Assessment. Such a review was last undertaken in 2021. This review confirmed GIA's independence and that it was operating in conformance with the International Professional Practices Framework of the Institute of Internal Auditors.

Internal Audits Completed

In 2022, GIA issued 11 final audit reports on AIEL's operations and those of its service providers. It also monitored the progress of two group-wide projects and one AIEL project. A further eight audits were still in progress at the end of the year. Seven reviews relevant to AIEL's operations were postponed to 2023 with the Audit Committee's approval.

All internal audit reports are presented to the AIEL Audit Committee in full.

All draft reports are discussed with management to confirm their factual accuracy and the suitability of their proposed actions to address the issues raised. GIA tracks all actions and provides reports on the status of all open items to the Audit Committee. The reports to the Audit Committee include both matters specific to AIEL and those relating to other group operations that have a bearing on AIEL's internal control environment and so could expose the Company to risk.

Internal Audit Plan

An internal audit plan is developed based on GIA's independent risk assessment and prioritisation of the Audit Universe, including the input of senior management, the Board and regulators. The plan, which covers the period 1st of January to 31st of December, is submitted to the Audit Committee for approval. It is based on a three-year strategic cycle, as agreed with the Audit Committee, whilst maintaining flexibility to adapt to the business' needs as each year progresses.

The plan for the reporting period detailed the specific internal audits AIEL would be subject to in the three years 2022 to 2024 inclusive. The rolling plan was approved by the Audit Committee and includes specific audits of the Company's control environment as well as audits of other Group operations that service the needs of AIEL. The audit plan is reviewed quarterly and is based on the risk exposure to the business.

B6. Actuarial function

The Company's Actuarial Policy establishes and maintains an effective Actuarial Function as appropriate to the nature, scale and complexity of the Company and its risk profile.

The objective of the Actuarial Function is to establish and maintain appropriate procedures, processes and systems sufficient to allow the Company to reasonably estimate its insurance obligations and exposures and the related capital requirements, in line with applicable laws and recognised industry standards. The Actuarial Function coordinates the assessment and validation of internal data to determine the level of compliance with recognised standards for data quality and, if necessary, recommends improvements in Company procedures aimed at improving such compliance. Furthermore, the Actuarial Function reviews the integration of any relevant external data within the calculation of technical provisions, as may be appropriate and coordinates the process of validation of such external data, using the same criteria and standards applied to internal data.

The Actuarial Function should always be carried out by persons who are fit and proper to carry out the duties outlined below, in an objective manner and free from any undue influences.

The Board has outsourced the Actuarial Function to R&Q Central Services Ltd after having satisfied itself of the service provider's ability and capacity to perform the Actuarial Function satisfactorily.

The role of the Actuarial Function has been described above in Section B1.

During 2022, the Actuarial Function participated in Board and Underwriting and Claims Committee meetings. In addition, the Actuarial Function is fully integrated in the due diligence process on the uptake of new business, working alongside the Underwriting Committee and the Head of Underwriting. The Actuarial function reviews and reports upon the quarterly and annual actuarial valuations, both in terms of statutory reserves and the reserves based on the Solvency II valuation. In addition, it also acts as the liaison between the Board and the external independent actuaries.

The Actuarial Function is also fully integrated into the ORSA process working alongside the Risk Management Function. It also confirmed the Company's SCR cover at 31 December 2022.

B7. Outsourcing

Outsourcing Policy

The Company enters into a number of outsourcing arrangements which are central to the operations and management of the Company. The firms responsible for outsourced functions are listed in the following table.

Outsourced Functions

Entity	Function	Jurisdiction
Willis Towers Watson Management (Malta) Ltd	Compliance	Malta
R&Q Central Services Ltd	Operational Services, Actuarial, Risk Management, Internal Audit function	United Kingdom
Conning Asset Management Limited	Investment Management	United Kingdom

Managing General Agents (MGAs)

As at 31 December 2022, the Company had appointed the following MGAs

Entity	Jurisdiction
Eridge Underwriting Agency Limited	United Kingdom
Blagrove Underwriting Agency Limited	United Kingdom
Corin Underwriting Limited	United Kingdom
Footprint Underwriting DAC	Republic of Ireland
Futura Insurance Agencia de Suscripcion SL	Spain
First Underwriting Limited	United Kingdom
Inperio Limited	United Kingdom
Inspire Motor Limited	United Kingdom
Aegean Insurance SA	Greece
CPD Underwriting Solutions Limited	United Kingdom
Kitsune Associates Limited	United Kingdom
Dupi Underwriting Agencies B.V.	Netherlands
Sophro MGA Limited	United Kingdom
Stabilis MGA Limited	United Kingdom
Insurami Technology Solutions Limited	United Kingdom
Dual Asset Underwriting Limited	United Kingdom

Eaton Gate MGU Limited	United Kingdom
GEO Underwriting Services Limited	United Kingdom
Intrasurance B.V.	Netherlands
Ivernia Insurance Limited	Republic of Ireland
Optio Underwriting Limited	United Kingdom
ERS Syndicate Sevices Limited	United Kingdom
Heca Unipersonale S.r.l.	Italy
ToleranceIns Sp. z o.o.	Poland
Rising Edge Limited	United Kingdom
Rising Edge Limited	Germany
Markerstudy Insurance Service Limited	United Kingdom
Resolve Services Limited	United Kingdom
Global Litigation Limited	United Kingdom
Litica Ltd	United Kingdom
Blackrock Insurance Solutions	Republic of Ireland
Nexus Underwriting Limited	United Kingdom
VALE Insurance Partners Europe BV	Germany
QMetric Group Limited	United Kingdom
Ticker Limited	United Kingdom
EuroCaution Benelux SA	Luxembourg
EuroCaution Benelux SA	Belgium

The objectives and high-level principles of the Outsourcing Policy are:

- that the risks associated with outsourcing are appropriately managed and that AIEL has adequate measures in place to identify, measure, monitor, manage and report these risks in a timely manner as part of the Company's overall risk management system.
- that outsourced service providers have the appropriate expertise and experience and resources to undertake the outsourced activities to the standards required by the AIEL;
- that there is no reduction in responsibility of the Board of Directors (and where applicable, any relevant Board appointed committee) for key functions of the Company as a result of outsourcing;
- that there is no material impairment of the quality of the Company's System of Governance as a result of outsourcing a key activity or function;
- that the Company's approved policies and procedures are adhered to by the outsourced service provider;
- that there is no material impairment of the Company's ability to fulfil its obligations to stakeholders, nor impede effective supervision by regulators as a result of outsourcing a key activity or function;
- that no material conflicts of interest result from outsourcing a key function or activity;
- that all outsourcing arrangements are supported by appropriate written agreements.

All functions and activities of the Company are eligible to be outsourced subject to these objectives being met. A service provider may be an entity from within the R&Q Group (Intra Group Outsourcing).

The appointment of a service provider is subject to the following:

- An evaluation undertaken prior to any decision on appointments. This addresses all material factors that would impact on the potential service provider's ability to perform the business activity, financial ability, technical ability and capacity of the service provider to deliver, the required services, including in stress situations.
- The evaluation process must include an assessment of the service provider's control framework, covering performance standards, policies, procedures, compliance, reporting and monitoring processes.
- The evaluation should also address other issues, such as business strategy, reputation, experience with the proposed outsourced activities and potential conflict of interest where the service provider is related to the Company or has arrangements with competitors.
- The Board may delegate the execution of the evaluation process to a sub-committee, function or Company representative, provided that no material conflict of interest arises from such delegation.
- The risks associated with the outsourcing of the activity or function shall be considered and included in the evaluation process.
- The evaluation process is appropriately documented.

The Board reviews the performance of service providers acting in an outsource capacity on a periodic basis and at least annually.

The Board may delegate the responsibility for the performance evaluation to a subcommittee, function or Company representative, subject to conflict of interest considerations. The Board retains ultimate responsibility for all decisions in relation to outsourcing arrangements.

The performance of the service provider is based on a comparison of the actual performance of the service provider in comparison with the required performance as per the agreed Service Level Agreement ('SLA'). The review considers the requirement for the function or activity to be outsourced for the short, medium and long term. The review process is adequately documented.

B8. Any other information

There is nothing to report.

C. Risk Profile

AIEL operates proportionate processes for identifying, assessing, monitoring, managing and reporting risks faced in both the short and medium/long term. In conjunction with the Group, AIEL maintains a risk register recording the results of its risk & control self-assessment process, providing for an assessment of risk across the categories defined in the Group's risk universe, as applied to AIEL.

The risk register includes assessments both of those risks considered covered by own funds and those that are not (for example, liquidity risk) and details the controls applied to the management of those risks.

Material risks or material changes in the perception of actual or potential future risk arising are reported to the AIEL Board, together with recommended actions as appropriate.

Risk management is a core process within AIEL's Own Risk and Solvency Assessment ("ORSA") policy.

AIEL faces risks spanning a range of categories including, but not limited to, those categories of risk that are encompassed by the standard formula and for which the holding of capital is considered an appropriate response.

At a high level, AIEL considers risks within the following categories:

- Insurance Risk (including reinsurance and reserve risk)
- Market Risk
- Credit Risk
- Liquidity Risk*
- Strategic Risk*
- Group Risk**
- Operational Risk (including Regulatory and Legal risks)

**Liquidity risk, strategic risk, group risk and capital management risk are not explicitly considered by the standard formula SCR, but have been included for completeness.*

*** The material Group risks that AIEL is exposed to have been covered by Market Risk and Operational Risk.*

There have been no material changes in material risks over the reporting period. The Company is not considered to be exposed to material risk concentrations.

There are a number of risks that are inherent in the Company's portfolio:

C1. Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims including claims inflation. Accordingly, the objective of the Company is to ensure that sufficient reserves are available to cover its liabilities The main insurance risks which affect the Company are as follows:

- **Pricing Risk** – this is the risk that the premium charged by the Company is inadequately priced, resulting in underwriting losses which in turn could lead to capital impairment.

Management and Mitigation:

Legacy business - at the underwriting stage, detailed due diligence is performed by experienced in-house or outsourced providers on each portfolio under consideration. The due diligence process includes a review of notified claims outstanding, inuring reinsurance treaties in place and recoverability thereof, legal cases against the Company, policy information and asset values (if assets other than cash are to be taken over as part of the portfolio transfer). The Company also uses market information available to it on the classes of business being considered, in addition to any direct experience that the Company might have had on similar exposures.

An actuarial valuation of the business being acquired is performed, or external reports reviewed and evaluated, in order to assess the adequacy of the IBNR and the risk premium to be charged, if any.

Program business - detailed due diligence is performed by an experienced in house due diligence team for each Managing General Agent ("MGA") / coverholder under consideration. The due diligence process includes an assessment of the coverholder's underwriting approach, rating structure and supporting back office systems. The program management team includes experienced underwriters across a range of classes of business who participate within the due diligence ahead of on-boarding a new coverholder, as well as participating in the auditing and on-going reviews of live programs, utilising their expertise in the assessment of product and pricing suitability. An actuarial evaluation is conducted during due diligence, assessing the business plan's projections and forecasts, which also includes testing the adequacy of projected Incurred but not reported ("IBNRs") claims.

- **Claims Risk** – this is the risk that a series of claims materialise in respect of a latent liability that the insurance industry is not currently aware of and that the frequency/ and or severity of claims increases.

Management and Mitigation:

Legacy business - the Company has outsourced the claims handling to a specialised R&Q Group service provider who is contracted to investigate and adjust all claims. Claims are reviewed individually on a regular basis. The Company actively manages and pursues early settlement for claims to reduce its exposure to unpredictable developments.

Program business - claims are managed by the Managing General Agents ("MGA") / coverholders through a claims handling agreement. In addition, the Company provides claims oversight through claims audits, spot checks and regular claims meetings with the MGAs. Large losses and referral trigger points (such as conflict of interest or reputational threats) are referred to the Company for approval whilst attritional losses and claims payments are monitored through the submitted monthly claims bordereaux. Regular spot checks are also carried out to ascertain accuracy of data and reserve adequacy.

- **Reinsurance Risk** – this is the risk that the reinsurers will dispute the coverage of losses and/or inadequate or inappropriate reinsurance cover.

Management and Mitigation:

Legacy business - the Company has inherited reinsurance protection in place for certain portfolios of business. The type of reinsurance cover, and the level of retention, is based on the Company's internal risk management assessment which considers the risk being covered and the sums assured. The Board will approve the reinsurance assumed at the time a portfolio of business is written. In addition, the Board could decide to purchase additional reinsurance should it feel it appropriate to do so. The reinsurance arrangements currently in place are a mix of proportional and non-proportional cover over a number of legacy portfolios. The Board could also decide to commute certain treaties should it be considered beneficial to do so.

Program business - the Company requires for each MGA, at the very least a quota share arrangement that complies with the risk appetite of the Company. Additionally, it seeks downgrade termination provisions and protections against MGA errors and omissions. Moreover, on liability exposures offering high limits (e.g. motor) or risks with high accumulations (e.g. property), excess of loss cover is purchased to protect the Company's retained risk (if any) and the quota share reinsurer's portfolio.

- **Reserving Risk** – this is the risk that the provisions established by the Company prove to be inadequate.

  Management and Mitigation:

  Legacy and Program - In addition to the reserving methodology in place at the Company on the known claims outstanding, the Company uses the services of internal and external professional actuaries to assist in the determination of held reserves.

- **Program Underwriting Risk –** This is the risk that there is inappropriate or substandard underwriting activity.

  Management and Mitigation:

  The Company's program strategy is to underwrite live business, on a fronting basis, with a selective exposure to the Company from underwriting risk. This is achieved through the purchase of significant quota share insurance, mostly on a back-to-back basis and mainly from reinsurers who have at least an A- credit rating. If a reinsurer does not have this rating level or they are downgraded, they will be required to provide the Company with adequate collateral .

  Each portfolio presented to be written through a fronting arrangement is required to complete a due diligence questionnaire and provide sufficient data to enable the Company and the supporting reinsurers to understand and analyse the proposal. Prior to granting a program facility, the Company carries out both an internal actuarial valuation and due diligence of the business and an assessment of the capital required to underwrite the business over a three-year projected timeframe. The arrangement only proceeds if the Company has sufficient capacity, and the business being underwritten meets strict underwriting guidelines as the Company is ultimately on risk.

  The Company's exposure is further mitigated by the purchase of additional reinsurance including stop loss or Adverse Development Cover ("ADC") Contracts.

C2. Market Risk

The Company is exposed to market risk, through its financial assets, financial liabilities and insurance assets and liabilities. The key risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance risk. The investment strategy of the Company is managed by the Board and by implementing detailed investment guidelines. Investment performance is regularly monitored against market-based benchmarks.

The main market risks which affect the Company are:

- Interest Rate Risk
- Equity Price Risk
- Spread Risk
- Currency Risk
- Concentration Risk

The Company manages the overall market risk via diversification into various classes of investments, which reduces its exposure to a particular class. The risk management policies employed by the Company to manage the individual risks are discussed below.

- **Interest Rate Risk** – this is the risk that the Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates.

  Management and Mitigation:

  Assets carrying variable rates expose the Company to cash flow interest rate risk. Assets carrying fixed rates expose the Company to fair value interest rate risk. The Company manages this risk through by implementing detailed investment guidelines which are approved by the Board and by monitoring investment performance against market-based benchmarks.

  AIEL's investment portfolio is managed by a highly experienced investment manager, Conning Investment Management Company ("Conning"), within agreed guidelines.

- **Equity Price Risk -** Where held, this is the risk that the Company's financial assets are susceptible to the risk of decreases in value due to changes in the prices of equities.

  Management and Mitigation:

  The risk of price volatility is managed by entering into a diverse range of investments including equities. The Board has established a set of investment guidelines which provide parameters for investment management, including contracts with external portfolio managers. They include, inter alia, reference to an optimal spread of the investment portfolio, maximum exposures by the Company to any one issuer and its connected parties.

  Management structures are in place to monitor all the Company's overall market positions on a frequent basis. Reports are prepared at portfolio, and asset and liability class level by the investment managers and are circulated to the Company's relevant key management personnel. These are also reviewed on a quarterly basis by the Board and at Group level by the Group Investment Committee.

- **Spread Risk –** This risk relates to the Company's investment in bond funds and Group loans and reflects potential volatility in credit spreads over risk free rates.

  Management and Mitigation:

  As previously stated, management structures are in place to monitor all the Company's overall market positions on a quarterly basis at Board level. Detailed investment guidelines are in place with investment performance regularly monitored against market-based benchmarks..

  Currency Risk - The risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

  Management and Mitigation:

  The Company has a potential currency risk due to the global nature of its underlying business. The Company carries technical reserves in multiple currencies with the currency exposure substantially matched on an IFRS basis. Under the Solvency II valuation rules, the Company's currency exposure attracts a level of capital charge that is acceptable to the Board.

  Market Concentration Risk - Concentration risk is the additional risk related to the default of individual counterparties in respect of equities, bond funds and intercompany loans.

  The Company's material risk concentration is in respect of the current level of inter-company loans (Group risk).

  Group Loan Concentration – There is an inherent risk that the holding company could default on the inter-company loans. However, the actual risk of default following ongoing review and oversight is considered remote.

  Management and Mitigation:

  The Company mitigates any concentration risk by spreading investments over multiple counterparties. The Company's material risk concentration is in respect of the current level of inter-company loans (Group risk), which attracts a capital risk charge.

  Prudent Person Principle - The Company's investment management function ensures that assets are invested in accordance with the investment guidelines reflecting the prudent person principle, following external advice from service providers where required. The Company monitors compliance with investment guidelines on a quarterly basis to ensure assets are being invested in accordance with prudent person principles.

C3. Credit Risk

Credit Risk is the risk of decreases in value where the Company's counterparties are not capable of fulfilling their obligations or when a change in their credit status takes place. Key areas where the Company is exposed to credit risk are:

- Investments and cash and cash equivalents
- Counterparty exposures to reinsurers
- Amounts due from intermediaries and other insurers in respect of premium written

- Deposits to cedants
- Trade receivables

Management and Mitigation:

The risk management processes in place to mitigate these risks are detailed below:

- The Company places limits on the level of credit risk undertaken from the main categories of financial instruments. These limits also take due consideration of the solvency restrictions imposed by the relevant regulations. The investment strategy of the Company considers the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.
- The Company structures the levels of credit risk it accepts by limiting as far as possible its exposure to a single counterparty or groups of counterparties. The Company has in place internal control structures to assess and monitor credit exposures and risk thresholds.
- The Company's cash is placed with quality financial institutions, thereby reducing the concentration of counterparty credit risk to an acceptable level.
- Reinsurance/retrocessional transfer is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer/reinsurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder/reinsured. The creditworthiness of reinsurers is monitored regularly by reviewing credit grades provided by rating agencies and other publicly available financial information, thereby ensuring the continuous monitoring of the financial strength of the reinsurer.
- In the case of legacy business, when Board approves a portfolio transfer, it assesses the reinsurers' credit rating (either Standard & Poors or equivalent) of any inuring treaties and ensures that adequate provisions are put in place for those that fall outside ratings acceptable to the Company with the adequate provision for bad debt.
- The exposure to individual counterparties is also managed by other controls, such as the right to offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on loans and receivables and on reinsurers' share of technical provisions and subsequent write-offs.
- In respect of legacy business, the Company recognises that the majority of its counterparty exposure is in respect of inherited contracts over which it has no direct control, and will therefore assess potential exposures and concentrations as part of due diligence in advance of accepting a new portfolio. In respect of the run-off portfolios, the Company continues to monitor known significant concentrations of exposure to individual counterparties and considers the use of commutations (potentially on unfavourable terms) and / or the use of additional Adverse Development Covers ("ADC") to mitigate the potential risk of default.
- In respect of the reinsurers of the live program business, the Company monitors the reinsurers' credit ratings and that the level of any collateral remains sufficient to cover the projected size of the reserves and IBNR.

  All new reinsurers proposed as counterparties on the program business are are included in the final proposed structure and reinsurance panel for each MGA appraisal circulated to the

Company's Star Chamber 2 meeting and the Group's Technical Advisory Group. The appraisal includes details of the reinsurance structure, including attachment points, limits, caps, conditions, minimums and deposits. Negotiation of the reinsurance contracts is led by the wordings team with input and sign-off on the commercial elements from the appropriate business function. Final sign off is sought from the CEO/COO.

In respect of program business and the potential exposure to credit risk on receivables from MGAs, the Company mitigates this risk by holding quarterly performance meetings with MGAs (where one of the areas assessed is the MGA's financial stability), reviewing aged debt positions at least on a quarterly basis across all MGAs and chasing unpaid amounts, and where possible, ensure premium monies and claims floats are held in trust accounts in the name of the Company. Credit risk arising from sliding scale receivables is also closely monitored.

In addition, the Company has no appetite for reliance on a single program MGA for premium generation in excess of 20% of the planned Gross Written Premium (GWP), unless there is specific sign-off in place.

- The Company will, insofar as possible and practicable, support the Group in identifying potential significant concentrations to individual counterparties arising from exposure across multiple group entities.

C4. Operational Risk

This is the risk that the Company is adversely affected because its outsourced service providers, including intra-group services, fail to meet their service level agreements. The Company has regular formal performance review meetings with major outsourced service providers and measures against service level agreements, both internal and external.

- **Operational - Regulatory and Legal risk:** Changes in regulatory or legal environments, leading to a change in a portfolio's liability profile, and the risk of not having portfolio transfer applications approved in the timeframe expected. The Company has regular meetings with its regulator and closely monitors legal developments in relevant jurisdictions and any regulatory pronouncements.

- **Operational - Outsourcing risk:** The risk that the Company is adversely impacted from the failures of its outsourced service providers, including intra-group services, to meet their service level agreements. The Company has regular performance review meetings with major outsourced service providers and measures against service level agreements, both internal and external.

- **Operational – Business Continuity**: This comprises the risk that an external event affects its operations or the operation of one or more of the offices of the Company's outsourced service providers or MGAs. The Company benefits from the group's business continuity and disaster recovery plans which are regularly tested. Moreover, the Company rigorously reviews the Business Continuity Plans of its MGAs as part of the due diligence processes when onboarding new coverholders.

- **Operational – Cyber risk**: The risk that the Company is adversely affected by data loss, theft of intellectual property or financial loss as a result of cyber-attacks. The Company outsources the management of its IT and cyber security to R&Q Central Services Limited (UK) who employs a Chief Information Security Officer, responsible for ensuring that the threat of a cyber-attack is minimised. Various software and controls are deployed to mitigate the threat including but not limited to :
  - Varonis for data management
  - AlienVault for intrusion detection system (IDS)
  - Mimecast for email management for prevention and protection against phishing spam etc.
  - DMAC through Mimecast for domain authentication, anti-spoofing, and anti-impersonation.
  - Cybergraph through Mimecast for Phishing and spam notification banners to end users' emails
  - MFA for multifactor authentication for Office 365
  - SNOW for hardware and software asset management
  - Kiteworks for secure file transfer
  - McAfee for anti-virus and endpoint protection
  - Signify for 2FA for remote access
  - Penetration testing for vulnerability management
  - Darktrace using AI and machine learning with automated responses for prevention and remediation of risks and threats.
  - Darktrace Antigena for email management acting as second line of defence for Mimecast

- **Operational – Process risk:** Due to the significant number of ongoing projects and changes which are currently being undertaken by AIEL, such as One GL and IFRS17, there is a risk to the smooth continuation of operations and Business as Usual. This is being mitigated by recruitment and improved lines of demarcation between various teams in the business.

- **Operational – Automation risk:** The risk that Company is adversely affected by new and increasing automation of processes resulting in unintended consequences, including the obsolescence of existing controls and the possibility of cascading errors. This is mitigated by reviewing the quality and appropriateness of controls, including cyber, and ensuring that data is of the right quality, consistent and validated.

In addition to the above, the Company was engaged in a specific Group led project to look at its operational resilience during the first half year of 2022 and no material issues or concerns were identified.

C5. Other material risks

The Company is exposed to further risks which are not explicitly considered in the standard formula SCR, namely liquidity, reputational, group risk, strategic risk and capital management risk. These risks are managed in the same way as the other risk categories by operating appropriate controls to reduce the inherent risk to an agreed residual level.

- **Liquidity Risk**
  The Company is exposed to regular calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

Management and Mitigation:

The Company manages its funds in such a manner as to ensure an adequate portion of available funds to meet such calls through cash-flow tracking to budget and forecast, quarterly Key Risk Indicators and the daily checking of bank account balance. The external investments held by the Company are marketable and liquid so are convertible into cash fairly quickly should the need arise. In respect of specific controls in place to manage liquidity risk, a key risk indicator has been developed that monitors the percentage of net technical provisions that is maintained in cash and liquid assets.

In addition, the Company maintains a long-term cash flow projection covering the planning period as well as a more detailed cash flow projection setting out the expected receipts and payments over the short term. The long-term cash flow projection is used to ensure the Company's business strategy encompasses a good cash flow position over the planning period. The regular cash flow projection is used to manage the cash balances in the key operating accounts across the short-term period to ensure obligations are met as they fall due.

- **Reputational Risk**

Historically, due to the legacy nature of the portfolios acquired, the Company had not been considered to have a material exposure to reputational risks (a risk that is often considered to be non-quantifiable). However, given the growth in the writing of live direct insurance business, the relative importance of reputational risk has increased. This potentially arises through AIEL's dealings with customers, usually through its Managing General Agents and their Third-Party Administrators on claims, but also in the case of direct dealings with customers on complaints. Reputational risk may arise from any failure on the part of AIEL to meet its obligations under the Insurance Disclosure Directive and in terms of Treating Customers Fairly.

For example, the products marketed by AIEL and its agents must be suitable for the target market, be communicated clearly through an Insurance Product Information Document, customers' specific demands and needs must be identified and recorded and the nature and basis of the remuneration received relating to the product must be disclosed. Failure by the Company or its agents to meet these obligations could lead to reputational damage for the Company.

Claims and complaint procedures and contacts must be provided. Claims must be managed in accordance with the policy wording and complaints must be managed efficiently and fairly.

From a financial perspective these fronting deals are substantially Quota Share reinsured on a back to-back basis. The reinsurers are required to have at least an A- rating or provide sufficient collateral as determined appropriate on a case-by-case basis.

- **Group Risk (Contagion)**

This comprises the risk that adverse events or circumstances affecting one or more business units or entities damage the solvency, liquidity, results or reputation of other entities or the overall group.

These risks are not directly referenced in the capital model and its outputs for this Company. Their impacts are assessed and communicated through qualitative assessment / narratives and the use of scenarios rather than attempting to assign simple probabilistic assessments.

The risk assessments as indicated above are at a point in time, i.e. 31st December 2023. Since the year end, a detailed review of the Company's risk profile was undertaken and the assessments for Group /Contagion related risks have been reassessed. Further details are available on request.

- **Strategic Risk**

The main strategic risk in respect of the legacy business is the potential inability to identify and complete the purchase / transfer of suitable run-off books of business in-line with the business plan. This risk is mitigated through the use of an experienced and dedicated Mergers and Acquisitions (M&A) team, a currently healthy M&A deal pipeline combined with intensive and thorough due diligence of potential deals.

The main strategic risk in respect of the program business would be the failure to appropriately implement the operational process and controls within the Company that relate to the underwriting of live insurance business. This risk is being mitigated by the building and embedding of robust operational controls and a compliance framework and the necessary resources to run and manage these.

In 2016, the Company identified Brexit as a strategic risk. Since then the Company has applied for and received approval from the UK Prudential Regulatory Authority ("PRA") for the formation of a Freedom of Establishment branch office in the UK. This enabled the Company to underwrite in the UK the full range of classes for which AIEL is authorised by the MFSA. Upon the expiry of the Brexit Transition Period on 31 December 2020, the AIEL UK Branch continues to write business in the UK under the PRA's Temporary Permissions Regime (TPR) through a "deemed Part 4A permission". The Company has submitted an application to the PRA for approval of its UK branch and is engaging with PRA and FCA as part of this process. Due to the experienced growth in the UK business and the scale and complexity of the expected future growth, the Board has analysed the options available with respect to the manner in which the UK business is to be carried out going forward. As a result of the Board's decision, the Group is in pre-application arrangements with the PRA and FCA with respect to establishing a new insurance entity in the UK to underwrite UK risks. The Group has set up a multi-disciplinary committee to drive and oversee this complex process and to analyse the implications on resources, capital as well as on prudential and conduct matters.

- **Capital Management Risk**

Capital management risk is the risk that the level and composition of the Company's capital is not adequate or appropriate, and/or that the level of capital required to manage the business has been under-estimated. The Company has a low appetite for capital management risk and seeks to maintain a strong level of capital in excess of regulatory requirements to support both its existing business and potential new program and legacy transactions.

In addition to regular monitoring of capital against regulatory requirements, for each new legacy transaction and new MGA deal contemplated a capital assessment is performed, as well as an overall quarterly assessment based on financial projections. The Company's ability to enter into a new business transaction depends on its capital level being able to assume and support the contemplated transaction.

The Company performs sensitivity analysis on a quarterly basis and as part of the ORSA process it performs Stress and Scenario Testing ("SST") to ensure that it continues to hold capital adequate to support ongoing operations under a broad range of reasonably possible stressed scenarios.

C6. Any other information

There is no further information to be included.

D. Valuation for Solvency Purposes

D1. Assets

As at 31 December 2022, the Company held the following assets with valuation for solvency purposes as shown:

Class	Valuation (£000s)
Property, Plant and Equipment	67
Investments	
Property	-
Holdings in related undertakings	6,035
Equities	9,837
Bonds	129,850
Collective investment undertakings	54,730
Other investments	1,696
Intra-Group Loans	38,064
Reinsurance Recoverables	275,313
Insurance and Intermediaries Receivables	61,383
Deposits to Cedants	11,229
Deferred Tax Assets	2,437
Trade Receivables	13,254
Cash and Cash Equivalents	45,598
Total assets	**649,493**

Investments

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification is dependent on the purpose for which the investments were acquired.

Equities, debt securities and collective investment undertakings

Equities, debt securities and collective investment undertakings are valued at fair value. Financial assets at fair value are part of a group of investments that is managed on a portfolio basis and whose performance is evaluated and reported internally on a fair value basis to the Company's Board and the Group's Investment Committee in accordance with a documented investment strategy. Assets that are part of these portfolios are designated upon initial recognition at fair value.

Deposits, intra-group loans, deposits to cedants, reinsurance receivables, insurance and trade receivables, cash and cash equivalents

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company has designated at fair value through profit or loss. They include, inter alia, loans to Group companies, insurance and other receivables, cash and

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cash equivalents in the statement of financial position as well as other financial investments (comprising deposits with credit institutions).

Loans and receivables are carried at amortised cost using the effective interest method, less any provision for impairment.

Deferred tax assets

Deferred tax is recognised using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting period and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

The deferred tax arises out of unutilised tax losses. The deferred taxation has no expiry date and is substantially non-current in nature.

Compliance with IFRS

With the exception of intangible assets (which are valued at £nil in the Company's assets for solvency purposes), deferred acquisition costs (which are included in technical provisions under Solvency II) and deferred taxes (as described in the preceding paragraph), the Company's valuation of assets in its financial statements (prepared under IFRS accounting standards) does not materially differ from the valuation for solvency purposes. In addition, reinsurers' share of technical provisions are included within best estimate liabilities under Solvency II whereas these are presented as assets under IFRS.

D2. Technical Provisions

AIEL has gross discounted best estimate Technical Provisions ("TPs") of £363.5m. The equivalent net amount is £88.2m. In addition, AIEL holds a risk margin of £16.2m.

Class	Gross Best Estimate	Risk Margin	RI Best Estimate	Net Technical Provision
	£000's	£000's	£000's	£000's
Workers' compensation insurance	23,236	2,600	7,640	18,195
Motor vehicle liability insurance	227,116	5,398	193,804	38,711
Other motor insurance	3,337	431	445	3,323
Marine, aviation and transport insurance	6,140	904	1,255	5,789
Fire and other damage to property insurance	51,616	2,260	43,177	10,699
General liability insurance	45,715	2,536	34,043	14,209
Credit and suretyship insurance	2,818	182	3,137	(138)
Legal expenses insurance	(9,129)	60	(4,916)	(4,152)
Income Protection insurance	15	3	-	18
Miscellaneous financial loss	(332)	4	128	(456)
Non-proportional casualty reinsurance	28,732	1,615	20,230	10,117
Non-proportional marine, aviation and transport reinsura	1,153	85	660	577
Non-proportional property reinsurance	462	78	2	538
Total Undiscounted	**380,880**	**16,156**	**299,606**	**97,430**
SII Expenses	14,966	-	-	14,966
ENIDs	33,900	-	29,664	4,236
Bad Debt	-	-	(869)	869
Discount	(66,240)	-	(53,089)	(13,151)
Total Discounted	**363,506**	**16,156**	**275,313**	**104,349**

Methodology

In setting the gross undiscounted claim element of TPs, the starting point is the IFRS claims reserves determined for reporting in the financial statements. The bases, methods and assumptions for each line of business are detailed below:

- TPs for inclusion within the full year IFRS accounts are estimated by the Chief Actuary and the Actuarial Function ("AF") and approved by the AIEL Board. The estimates for the purpose of IFRS are permitted to contain a level of prudence to reflect the degree of uncertainty in specific areas of the business written. Following the AF reserving policy, the AF determines best-estimate reserves with no margin for prudence on Solvency II basis.
- The IFRS reserves are set by homogenous risk groups according to the class of business.
- Claims TPs are projected using ResQ at various points through the year. The Company selects underwriting year loss development factors using historical paid and incurred claims development triangles. Where underwriting years within a class showed significantly different development patterns different loss development factors are selected. Where necessary, tail factors have been estimated by fitting mathematical curves.
- For disease losses, reserves are projected using frequency severity decay models. Where appropriate (e.g., for disputes and large claims) the reserves for specific losses are estimated separately outside the standard models. Approximately 17% of the losses are currently reserved to policy limits.
- Net claims reserves have been estimated for legacy business by using Gross-to-Net ratios to reduce the gross reserves. For program business, the individual reinsurance contracts have been applied to the gross reserves on a case-by-case basis. There are £275.3m of discounted reinsurance TPs.
- The bad debt on the projected reinsurance recoveries is estimated using a credit default charge against all reinsurers based on Standard & Poor's Reinsurer Strength Ratings, where available.

Where S&P ratings are unavailable, A.M. Best data is used to complete the listing of reinsurers and ratings.

- The IFRS claims reserves are set on a Best Estimate basis with no margin for prudence. These IFRS reserves are then mapped to Solvency II class.

In determining the TP Claims Provisions, the IFRS reserves are adjusted for:

- Pipeline premium and claims reserves
- Events Not In Data (“ENIDs”).
- Additional expenses and Bad Debt.
- Discounting.

In setting the undiscounted claims TPs, the starting point is the Unearned Premium Reserves (“UPR”). This is multiplied by the Initial Expected Loss Ratio (“IELR”) to determine the unearned future claims TPs. In determining these provisions, the unearned future claim amounts are adjusted for:

- Legally Obliged business.
- Expenses.
- Discounting.

Comparison to Financial Statements

The table below shows the differences between the TPs held in the financial statements and those calculated for Solvency II:

AIEL Technical Provisions - 31/12/22

		£000's
IFRS	Net Earned Claims Reserves	80,947
	Net Unearned Premium Reserves	31,988
	Net Expense Reserves	0
Total Net IFRS Provisions		**112,935**
SII Adjustments	Pipeline Figures & Data Differences	247
	Removal of Profit from Unearned Business	(9,185)
	BBNI Premiums and Future Premium Reserves	(21,855)
	ENIDs	4,236
	Additional Expenses	14,966
	Discount	(13,151)
	Risk Margin	16,156
Total Adjustments		**(8,586)**
Total Net SII Provisions		**104,349**

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Material differences are highlighted below.

- ENIDs
  To allow for the occurrence of all possible future outcomes under Solvency II, ENIDs have been considered. ENIDs represent low frequency, high-cost events which are not represented within historical data, therefore must be estimated explicitly. A simple percentage approach is taken to estimating ENIDs due to the nature of the run-off reserves and the reinsurance mitigation available on the programme business.

- BBNI and Future Premium Reserves
  For Solvency II TPs, the Company must calculate the premium and claims cashflows of contracts to which it is legally obliged, whether these contracts have incepted or not (bound but not incepted, "BBNI"). The calculation of these cash-flows generates future premium reserves for both incepted and unincepted contracts.

- Expenses
  AIEL does not hold a provision for ULAE within the IFRS reserves as it is considered that investment income will be more than sufficient to cover these costs. For Solvency II TPs, the discounted cashflows associated with the estimated cost of running all claims off to finality is required to be included in the TPs. A simple percentage approach is taken to estimating SII additional expenses due to the nature of the run-off reserves and the expected short length of run-off of the programme business.

- Discounting
  Solvency II best estimates represent the probability weighted average value of all future cash flows, discounted to allow for the time value of money.

  Discounting has been carried out in accordance with EIOPA guidelines. Yield curves have been provided by EIOPA. Claim payment patterns used for discounting provisions were derived from the gross claim projections. Claims payment pattern are determined for each currency and currency specific discount rates have been used.

  ULAE is discounted assuming the same underlying payment pattern as gross claims to which the expense has been allocated. Reinsurance recoveries are assumed to mirror gross payments.

- Risk Margin
  Currently the risk margin is calculated on a simplified cost of capital approach (method 3). The SCR relating to the written and obliged business is run off using best estimate net undiscounted cash flows adjusted for future premiums, ENIDs and ULAE. The cost of capital of 6% is then applied to the SCR runoff and discounted using the GBP rate without liquidity premium to give the risk margin. This approach runs off the SCR in proportion to the expected run-off of technical provisions. The simplified method has been chosen due to the maturity of the Company and the nature of the exposures.

- Uncertainty

  There is always uncertainty associated with the estimation of TPs. Future development can and does differ from past experience.

  A significant part of AIEL's net TPs are related to Industrial Disease claims. Uncertainties associated with these loss types increase the inherent uncertainty in the selected best estimate reserves.

  Additional uncertainties for these types of liabilities include:

  - The long tail nature of these liabilities means they are reported and settled over many decades.
  - There is a limited volume of past claims data meaning there is a large degree of subjectivity in the selection of parameters.
  - Court interpretations and legislative changes can have a material impact on reserves.
  - Models are used in the projection of the reserves for Industrial Disease liabilities and there are a number of underlying assumptions. Given that actual claim development does not typically conform to statistical models there is a degree of model uncertainty.
  - These models have been parameterised with reference to past experience. Any extent to which there are inaccuracies or poor-quality data will introduce parameter uncertainty. In addition, there is significant expert judgement involved with the selection of the parameters and the models are sensitive to these assumptions.
  - Future development can and does differ from experience.

Other Information

The data used to determine TPs is complete and accurate and appropriate for purpose as assessed in accordance with Article 19 of Directive 2009/138/EC.

In assessing the TPs, there is no matching adjustment (Article 77b of Directive 2009/138/EC), no volatility adjustment (Article 77d of Directive 2009/138/EC), no transitional risk-free interest rate-term structure (Article 308c of Directive 2009/138/EC) and no transitional deduction (Article 308d of Directive 2009/138/EC).

The Company took advantage of simplification on counterparty default risk on pooling arrangements under Article 107 of the Delegated Regulation 2015/35

D3. Other Liabilities

As at 31 December 2022, the Company held the following other liabilities with valuation for solvency purposes as shown:

Class	Valuation (£000s)
Subordinated Liabilities	21,903
Insurance & Intermediaries Payable	35,777
Reinsurance Payables	90,834
Trade Payables	40,012
Deferred Tax Liabilities	-
Provision other than Technical Provisions	1,599
Other Liabilities	28
Total Liabilities	**190,153**

Subordinated liabilities, insurance & intermediaries payables, reinsurance and trade payables

The Company initially recognises its financial liabilities on the date that they are originated. The Company does not recognise a financial liability when its contractual obligations are discharged or cancelled or expired. Financial liabilities are initially recognised at cost and subsequently approximate their fair value. The Company's financial liabilities include insurance and other payables.

Provisions other than technical provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Such provisions are recognised at fair value.

Compliance with IFRS

The Company's valuation of other liabilities in its financial statements (prepared under IFRS accounting standards), does not materially differ from the valuation for solvency purposes.

D4. Alternative Methods for Valuation

No alternative methods for valuation of assets or other liabilities have been used.

D5. Any Other Information

There is nothing else to report.

E. Capital Management

E1. Own funds

The Company's objectives when managing capital are to:

- Comply with the insurance capital requirements to hold Eligible Own Funds to cover the Solvency Capital Requirement and Minimum Capital Requirement in terms of the Insurance Business Act, 1998, (Chapter 403, Laws of Malta) and the applicable Insurance Rules issued under the Insurance Business Act (''Insurance Rules'') by the Malta Financial Services Authority (''MFSA'').
- Safeguard the Company's ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders.
- Maintain financial strength to support new business growth and to provide for the capital requirements of the Company; and
- Provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Company aims to ensure that its ''own funds'' consists of ''Tier 1'', ''Tier 2'' and ''Tier 3'' capital as defined by Solvency II Directive. The Company's own funds shall take the form of:

- Ordinary Share Capital
- Retained Earnings
- Shareholders' Contribution
- Subordinated Debt

In order to maintain or adjust the capital structure, the Company may issue new shares or capitalise contributions received from its shareholders, or issue further subordinated debt.

The Company utilises a 3-year time horizon for business planning purposes and the last complete business plan was for 2023-2025.

Own funds have moved as follows:

	Share Capital Tier 1 £000s	Reconciliation Reserve Tier 1 £000s	Subordinated Debt Tier 2 £000s	Deferred Tax Asset Tier 3 £000s	Total £000s
Basic own funds at 1 January 2022	**91,020**	**(20,023)**	**20,683**	**2,844**	**94,524**
Foreign exchange movements			1,220		1,220
Capital injection	1,486				1,486
Movement in restricted own funds		(2,883)			(2,883)
Movement in excess of assets over liabilities		7,637			7,637
Movement in deferred tax				(403)	(403)
Basic own funds at 31 December 2022	**92,506**	**(15,269)**	**21,903**	**2,441**	**101,581**

As at 31 December 2022, the Company's SCR and MCR coverage was as follows:

	Tier 1 £000s	Tier 2 £000s	Tier 3 £000s	Total £000s
Basic own funds	**77,237**	**21,903**	**2,441**	**101,581**
SCR				**69,670**
MCR				17,418
Total available own funds to meet SCR	**77,237**	**21,903**	**2,441**	**101,581**
Total available own funds to meet MCR	77,237	21,903		99,140
SCR Cover				**146%**
MCR Cover				569%
Total eligible own funds to meet SCR	**77,237**	**21,903**	**2,441**	**101,581**
Total eligible own funds to meet MCR	77,237	3,484		80,721
SCR Cover				**146%**
MCR Cover				463%

The Company does not disclose any additional ratios other than those included in S.23.01.01 or as shown above.

Ordinary Shares

The share capital is made up of Ordinary shares. In 2022, the Company issued further share capital of £2.7m.

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Shareholders' Contribution

These are contributions made by the Company's Shareholders for which settlement is neither planned nor likely to occur in the foreseeable future, for which no interest is levied by the Shareholders and that are not subject to any restrictions or the fulfilment of any conditions or requirements on the part of the Company. In 2022, a further contribution of £1.49m was made whilst £2.70m was capitalised into share capital.

Reconciliation Reserve

The Company's reconciliation reserve is made up of the excess of assets over liabilities less other Tier 1 basic own funds (being share capital and Shareholders' contribution), reduced by any restricted own funds (as further noted below).

Subordinated Debt

The subordinated debt is denominated in Euro, it attracts a floating rate interest charge and is due for redemption as follows:

€20,000,000 due on 5 October 2025
€5,000,000 due on 5 July 2027

Available own Funds to cover SCR and MCR

In assessing the solvency cover, the Board considers the available own funds to be a significant driver. The Company is in a position to cover the SCR fully with its Tier 1 capital. On this basis it therefore feels that it is appropriate for the total value of Tier 2 funds to be included, when assessing the Company's strength and as such, the Directors view the Company's available own funds coverage of SCR to be the most appropriate to the Company.

The Company does not hold any ancillary own funds.

Reconciliation between Solvency II excess of assets over liabilities and Equity as per IFRS:

	£'000s
Excess of assets over liabilities as per SII	**79,678**
Intangible asset within IFRS not permitted under Solvency II	6,807
Adjustment to equity method of investment	6
Difference in value of TPs as explained in Section D2	(8,586)
Pipeline premium included within TPs	12,300
Net deferred acquisition Costs not permitted under Solvency II	(1,052)
Equity as per IFRS	**89,153**

E2. Solvency Capital Requirement and Minimum Capital Requirement

AIEL uses the Standard Formula basis to determine its regulatory Solvency Capital Requirement (SCR) as prescribed in the 'Commission Delegated Regulation (EU) 2015/35 of 10 October 2014' including amendments within the 'Commission Delegated Regulation (EU) 2019/981 of 08 March 2019'.

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As the year end 2022, the SCR for AIEL is £69.7m with a corresponding MCR of £17.4m. The drivers of risk are detailed in the risk categories that constitute the SCR as shown in the table below:

RISK DESCRIPTIONS	**£Ms**	**£Ms**
As at Date	**12/2021**	**12/2022**
Non-life underwriting risk	19.8	37.3
Health underwriting risk	3.4	4.1
Life underwriting risk	-	-
Market risk	15.1	21.9
Counterparty default risk	9.5	16.5
Basic SCR (diversified)	35.8	58.8
Operational risk	9.4	13.6
LACDT Adjustment	-	(2.7)
SCR	45.2	72.3
MCR	12.8	17.4
Regulatory SCR	**45.2**	**69.7**

The equivalent SCR and MCR at the preceding year end were £45.2m and £12.8m respectively. The increase in the SCR reflects the future planned growth in AIEL's strategy as well as the achieved growth during 2022.

USP and Simplifications

We have, where considered appropriate, applied simplified approaches in determining the SCR for AIEL as at year end 2022 in line with the nature, scope and complexity of AIEL's risk profile. We believe these simplifications are in line with Article 88 of the Delegated Acts on proportionality. The simplified approaches were applied to:

- The determination of counterparty default risk;
- The simplification of the risk mitigating effect of reinsurance to determine catastrophe risk; and
- The allocation of Technical Provisions to Solvency II class and region, for each class.

In determining the SCR for AIEL, no Undertaking Specific Parameters were incorporated.

The MCR is determined as prescribed in the 'Commission Delegated Regulation (EU) 2015/35 of 10 October 2014'. As at year end 2022, AIEL's MCR reflects the Linear MCR.

E3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

AIEL does not make use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

E4. Differences between the standard formula and any internal model used

AIEL has chosen to determine its Solvency Capital Requirements using the Standard Formula and does not implement an Internal Model.

E5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

AIEL was compliant with the MCR and the SCR at all times during the period and is also projected to be compliant over the business planning horizon.

E6. Any other information

In computing the SCR, the Company accounts for the loss absorbing capacity of deferred taxes (LACDT) at an amount equal to the SCR multiplied by the applicable tax rates, less any deferred tax asset recognised in the solvency balance sheet. This applies to the extent that the resulting loss absorbing capacity is expected to be utilised within 5 years, given the Company's latest business projections of future taxable profits, after providing for a haircut to account for the possibility of unforeseen events affecting future taxable profits. The 5-year time horizon acknowledges the fact that there are currently no time limits relating to the carry-forward of unused tax losses and that the reliability of projections tends to decline significantly beyond the 5-year period.

Appendix 1 – ART Forms

Accredited Insurance (Europe) Limited

Solvency and Financial Condition Report

Disclosures

31 December

2022

(Monetary amounts in GBP thousands)

General information

Undertaking name	Accredited Insurance (Europe) Limited
Undertaking identification code	635400CIPL7LGNBQ4U90
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	MT
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	GBP
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
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
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
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
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	2,437
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	67
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	202,148
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	6,035
R0100	*Equities*	9,837
R0110	*Equities - listed*	9,837
R0120	*Equities - unlisted*	0
R0130	*Bonds*	129,850
R0140	*Government Bonds*	39,668
R0150	*Corporate Bonds*	86,037
R0160	*Structured notes*	0
R0170	*Collateralised securities*	4,145
R0180	*Collective Investments Undertakings*	54,730
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	1,696
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	38,064
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	38,064
R0270	Reinsurance recoverables from:	275,313
R0280	*Non-life and health similar to non-life*	275,313
R0290	*Non-life excluding health*	269,556
R0300	*Health similar to non-life*	5,757
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	11,229
R0360	Insurance and intermediaries receivables	61,383
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	13,254
R0390	Own shares (held directly)	0
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	45,598
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	649,493

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S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	379,662
R0520	*Technical provisions - non-life (excluding health)*	358,332
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	344,778
R0550	*Risk margin*	13,554
R0560	*Technical provisions - health (similar to non-life)*	21,330
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	18,728
R0590	*Risk margin*	2,602
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	1,599
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	35,777
R0830	Reinsurance payables	90,834
R0840	Payables (trade, not insurance)	40,012
R0850	Subordinated liabilities	21,903
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	21,903
R0880	Any other liabilities, not elsewhere shown	28
R0900	**Total liabilities**	569,815
R1000	**Excess of assets over liabilities**	79,678

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S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	0	1	6	172,506	91,108	63	140,731	131,622	13,500	44,235	0	2,588					596,358
R0120	Gross - Proportional reinsurance accepted	0	0	11,240	151	0	0	13	18,957	0	0	0	0					30,360
R0130	Gross - Non-proportional reinsurance accepted														22,692	222	2	22,916
R0140	Reinsurers' share	0	0	0	162,191	72,452	0	126,122	139,206	12,026	42,101	0	2,588		18,591	164	0	575,441
R0200	Net	0	1	11,246	10,466	18,655	63	14,621	11,373	1,474	2,134	0	0		4,101	57	2	74,193
	Premiums earned																	
R0210	Gross - Direct Business	0	1	6	141,758	72,366	63	72,043	100,633	11,028	-190	0	2,658					400,366
R0220	Gross - Proportional reinsurance accepted	0	0	11,240	151	0	0	13	18,957	0	0	0	0					30,360
R0230	Gross - Non-proportional reinsurance accepted														22,692	222	2	22,916
R0240	Reinsurers' share	0	0	0	133,147	54,953	0	64,190	110,009	9,648	-96	0	2,658		18,591	164	0	393,265
R0300	Net	0	1	11,246	8,762	17,413	63	7,866	9,581	1,380	-94	0	0		4,101	57	2	60,377
	Claims incurred																	
R0310	Gross - Direct Business	0	0	5,163	123,140	49,884	2,102	41,136	39,659	3,844	3,418	0	701					269,047
R0320	Gross - Proportional reinsurance accepted	0	-28	-1,439	9,221	427	1,577	-4,733	-1,811	-21	760	0	0					3,952
R0330	Gross - Non-proportional reinsurance accepted														14,029	-61	1,364	15,332
R0340	Reinsurers' share	0	0	-2,207	105,848	47,241	153	35,058	38,159	3,007	4,166	0	566		14,419	247	-1	246,655
R0400	Net	0	-28	5,930	26,513	3,070	3,527	1,346	-311	815	12	0	135		-390	-308	1,365	41,676
	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	0	0	0	0	0	0	0		0	0	0	0
R0550	**Expenses incurred**	0	6	83	3,507	4,096	80	-10,167	-1,588	-56	-403	0	-393		1,260	6	0	-3,568
R1200	**Other expenses**																	
R1300	**Total expenses**																	-3,568

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Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			GB	IE	NL	DE	ES	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	458,494	38,239	21,719	60,463	7,269	586,184
R0120	Gross - Proportional reinsurance accepted	0	2,004	19,853	0	446	0	22,303
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	0	411,402	51,191	19,808	59,767	6,580	548,748
R0200	Net	0	49,097	6,900	1,911	1,142	689	59,739
	Premiums earned							
R0210	Gross - Direct Business		285,203	33,401	18,679	48,649	6,118	392,050
R0220	Gross - Proportional reinsurance accepted		2,004	19,853	0	446	0	22,303
R0230	Gross - Non-proportional reinsurance accepted		0	0	0	0	0	0
R0240	Reinsurers' share		251,377	46,156	17,136	47,953	5,538	368,161
R0300	Net	0	35,830	7,097	1,543	1,142	580	46,192
	Claims incurred							
R0310	Gross - Direct Business		213,075	31,088	4,039	5,280	43	253,524
R0320	Gross - Proportional reinsurance accepted		1,215	853	0	3,087	0	5,155
R0330	Gross - Non-proportional reinsurance accepted		0	0	0	0	0	0
R0340	Reinsurers' share		186,159	30,271	3,609	5,280	36	225,355
R0400	Net	0	28,130	1,670	430	3,087	7	33,324
	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	0	0
R0550	**Expenses incurred**		-1,512	-451	803	-3,423	-134	-4,718
R1200	**Other expenses**							
R1300	**Total expenses**							-4,718

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Non-Life Technical Provisions

		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**		0	0	0	0	0	0	0	0	0		0		0	0	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	0	0	0	0	0	0	0	0		0		0	0	0	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross		0	0	30,894	-6,978	0	9,717	-19,766	-1,101	-5,251		-702		0	0	0	6,813
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0	0	20,328	-9,017	0	10,832	-19,806	-55	-2,897		-241		0	0	0	-855
R0150	**Net Best Estimate of Premium Provisions**		0	0	10,566	2,038	0	-1,115	40	-1,046	-2,354		-461		0	0	0	7,668
	Claims provisions																	
R0160	Gross		14	18,714	190,757	13,104	5,569	41,897	59,047	3,982	2,587		354		19,307	972	390	356,693
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0	5,757	163,851	10,955	1,061	30,634	46,405	3,077	2,287		333		11,257	550	2	276,168
R0250	**Net Best Estimate of Claims Provisions**		14	12,957	26,906	2,149	4,507	11,263	12,642	905	301		21		8,050	422	388	80,525
R0260	**Total best estimate - gross**		14	18,714	221,651	6,125	5,569	51,614	39,281	2,881	-2,664		-348		19,307	972	390	363,506
R0270	**Total best estimate - net**		14	12,957	37,473	4,187	4,507	10,148	12,682	-141	-2,053		-440		8,050	422	388	88,193
R0280	**Risk margin**		3	2,600	5,398	431	904	2,260	2,536	182	60		4		1,615	85	78	16,156
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole		0	0	0	0	0	0	0	0	0		0		0	0	0	0
R0300	Best estimate		0	0	0	0	0	0	0	0	0		0		0	0	0	0
R0310	Risk margin		0	0	0	0	0	0	0	0	0		0		0	0	0	0
R0320	**Technical provisions - total**		17	21,314	227,049	6,556	6,473	53,874	41,818	3,063	-2,604		-344		20,922	1,057	468	379,662
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**		0	5,757	184,179	1,938	1,061	41,466	26,599	3,022	-610		92		11,257	550	2	275,313
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**		17	15,557	42,871	4,618	5,412	12,408	15,218	40	-1,993		-436		9,665	507	466	104,349

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Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** | Underwriting Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year					**Development year**							**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											8,775	8,775	8,775
R0160	2013	0	0	0	53	-1	1	79	1,620	93	6		6	1,851
R0170	2014	0	0	66	73	94	177	13	192	70			70	684
R0180	2015	0	220	-1	1,080	0	703	36	5				5	2,043
R0190	2016	236	1,369	687	1,067	117	393	125					125	3,994
R0200	2017	2,645	7,427	2,260	1,261	1,414	5,221						5,221	20,228
R0210	2018	5,000	14,583	10,769	6,994	2,822							2,822	40,168
R0220	2019	20,054	40,206	17,677	8,814								8,814	86,750
R0230	2020	22,721	57,081	29,429									29,429	109,230
R0240	2021	21,170	78,357										78,357	99,527
R0250	2022	31,534											31,534	31,534
R0260												**Total**	165,157	404,786

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year					**Development year**							**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											64,607	54,609
R0160	2013	0	0	0	1,443	96	345	600	79	37	6,073		4,839
R0170	2014	0	0	3,483	632	581	1,452	2,579	1,091	3,971			3,183
R0180	2015	0	1,081	459	3,038	3,567	25	258	1,595				1,275
R0190	2016	14,064	2,710	1,993	3,793	1,206	981	664					559
R0200	2017	8,704	7,170	9,964	1,728	2,385	1,569						1,397
R0210	2018	16,187	23,714	17,050	17,915	16,735							15,247
R0220	2019	28,571	55,057	50,307	32,556								29,721
R0230	2020	81,858	106,456	44,899									41,043
R0240	2021	59,950	102,814										95,952
R0250	2022	106,971											98,461
R0260												**Total**	346,287

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Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	42,875	42,875		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-15,269	-15,269			
R0140	Subordinated liabilities	21,903		0	21,903	0
R0160	An amount equal to the value of net deferred tax assets	2,441				2,441
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	49,631	49,631	0	0	0
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**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	101,581	77,237	0	21,903	2,441
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	101,581	77,237	0	21,903	2,441
R0510	Total available own funds to meet the MCR	99,140	77,237	0	21,903	
R0540	Total eligible own funds to meet the SCR	101,581	77,237	0	21,903	2,441
R0550	Total eligible own funds to meet the MCR	80,721	77,237	0	3,484	
R0580	**SCR**	69,670				
R0600	**MCR**	17,418				
R0620	**Ratio of Eligible own funds to SCR**	145.80%				
R0640	**Ratio of Eligible own funds to MCR**	463.44%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	79,678
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	94,948
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-15,269
	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)**	0

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Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	21,890		
R0020	Counterparty default risk	16,539		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	4,064		
R0050	Non-life underwriting risk	37,284		
R0060	Diversification	-21,099		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	58,678		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	13,644
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-2,652
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	69,670
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	69,670
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	69,670
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
	Approach to tax rate	C0109
R0590	Approach based on average tax rate	Yes

		LAC DT
	Calculation of loss absorbing capacity of deferred taxes	C0130
R0640	LAC DT	-2,652
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	-2,652
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

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
9 - None

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

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	15,969

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	10,466
R0030	Income protection insurance and proportional reinsurance	14	18,655
R0040	Workers' compensation insurance and proportional reinsurance	12,957	63
R0050	Motor vehicle liability insurance and proportional reinsurance	37,473	14,621
R0060	Other motor insurance and proportional reinsurance	4,187	11,373
R0070	Marine, aviation and transport insurance and proportional reinsurance	4,507	1,474
R0080	Fire and other damage to property insurance and proportional reinsurance	10,148	2,134
R0090	General liability insurance and proportional reinsurance	12,682	0
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	1
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	11,246
R0140	Non-proportional health reinsurance	0	2
R0150	Non-proportional casualty reinsurance	8,050	4,101
R0160	Non-proportional marine, aviation and transport reinsurance	422	57
R0170	Non-proportional property reinsurance	388	0

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		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	C0070
R0300	Linear MCR	15,969
R0310	SCR	69,670
R0320	MCR cap	31,352
R0330	MCR floor	17,418
R0340	Combined MCR	17,418
R0350	Absolute floor of the MCR	3,445
R0400	**Minimum Capital Requirement**	17,418

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