Accredited Insurance (Europe) Limited

Solvency and Financial Condition Report

Year ended 31 December 2021

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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 2021 ("the reference date"). The Company forms part of the Randall & Quilter Investment Holdings Ltd. Group ("the Group").

The Company has traditionally operated in the niche "run-off" or "legacy" business, purchasing or reinsuring portfolios/companies whose business would have been placed in run-off. However, since 2016, it changed its strategy to include program management business, a business which is now core to the overall Company strategy. During 2021, the Company achieved growth in both business streams.

On 30 March 2021, the domestic mergers of R&Q Alpha Insurance SE (SE 11) ('Alpha') and R&Q Beta Insurance SE (SE 12) ('Beta') into the Company were completed, whilst on 30 December 2021, the domestic merger of R&Q Insurance (Europe) Limited ('RQIE') was also completed. The merging companies are all authorised by the MFSA to carry on business of insurance and reinsurance. As a result of the mergers, the merging companies acquired by the Company have ceased to exist and the Company has succeeded in acquiring all the assets, rights, liabilities and obligations of the merging companies.

Four legacy transactions and an insurance business transfer were concluded, over and above the run-off portfolios taken on as a result of the three domestic mergers completed during the year. As at the end of December 2021, the Company managed/reinsured 34 legacy portfolios. As regards to program business, the Company concluded a number of new agreements with managing cover-holders (MGA) bringing the total programs to 36. Business written through these cover-holders include motor, surety, liability, property, miscellaneous financial loss and after-the-event (ATE) business in the United Kingdom, Republic of Ireland, Italy, Greece, Spain, Poland and the Netherlands. The Company takes a prudent approach and reinsures this book of business extensively through the use of Quota Share, Excess of Loss and Stop Loss reinsurance mainly with reinsurers that do not fall below the A- rating or equivalent.

By year end 2021, 22 of the active "program" portfolios were written through the UK Branch office. In 2020, the Company submitted an application to the Prudential Regulatory Authority (PRA) in the United Kingdom to convert the UK Branch to a Third Country Branch, so as to enable the Company to continue to write business in the UK following the expiry of the Temporary Permissions Regime ("TPR"). The application is still in process as at the date of this report. In 2020, the Company established an Italian branch with the intention of expanding "program" operations in Italy. The Company wrote one program out of the Italian Branch in 2021.

Total premium generated during the year increased from £254.22m during 2020 to £417.54m during 2021. The four legacy transactions and the insurance business transfer mentioned above generated a premium of £30.53m (2020: £25.31m), with the remaining premium of £387.01m (2020: £228.91m) 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 2020, resulting in retained premium of £61.55m compared to £41.46m in 2020.

Net claims incurred of £37.04m (2020: £27.53m) represent £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, £20.31m, represents incurred claims on 'legacy' business mainly driven by £22.66m in net claims incurred from the transactions concluded or taken over through mergers in 2021, compensated by a positive movement of £2.35m on the existing portfolios.

The positive technical result for the year of £14.93m (2020: £6.83m) is driven mainly by day-one profits on the new legacy transaction, positive developments on claims reserves for past legacy transactions and an increase in over-rider commission in line with the growth in premium volume on the 'program' side.

The Company registered an investment loss for the year of £2.93m (2020: gain of £0.51m). This decrease is mainly attributed to the unrealised fair value losses on debt securities and unrealised differences on exchange, resulting mainly from the strengthening of the British pound against the Euro.

The continued investment in growing the 'program' business, process and systems improvements centred around increased automation and the implementation of IFRS 17 are currently causing the Company's cost base to temporarily grow faster than technical income. In fact, operating expenses increased from £4.99m in 2020 to £8.40m in 2021. As a result, despite a promising technical result, the Company registered a loss before tax of £5.34m for the year under review (2020: loss before tax of £0.01m).

A significant change to the way the Company absorbs future legacy transactions is expected, following the announcement made by the Company's ultimate parent entity, Randall & Quilter Investment Holdings Ltd, on 6 September 2021, with respect to the formation of Gibson Re, a Bermuda-domiciled collateralised reinsurer. Gibson Re will reinsure 80% of the Group's new qualifying legacy transactions for the next three years. Whilst this will mean less risk retained at the level of the Company, it will also result in the Company receiving annual recurring fees on the ceded reserves, as well as potential performance fees, thus transforming the Company's legacy operations into primarily a recurring fee-based business. Existing legacy transactions will not be in any way affected by the formation of Gibson Re.

The Company maintains a strong capital position. At the reference date, the Solvency Capital Requirement amounted to £45.20m (2020: £41.42m) and the eligible own funds available to cover this requirement amounted to £93.60m (2020: £75.03m). These own funds consist of £71.00m Tier 1 unrestricted funds, £20.68 Tier 2 funds and £1.92m Tier 3 funds. Hence, the ratio of eligible own funds to SCR at the reference date was 207% (2020: 181%). The available own funds to cover the SCR stand at 209% (2020: 187%). The Minimum Capital Requirement was £12.77m, all of which is covered by eligible Tier 1 own funds. In 2021, the assumptions and methodology underlying the calculation of the eligible own funds and the SCR did not change significantly.

In 2021, the Company had its rating of A- re-affirmed by A.M Best as in previous years. This strong credit rating supports the Company in its strategy to be a market leader in the niche run-off and program markets.

The Directors have considered the impact of the COVID-19 outbreak on the Company's business. Whilst the full impact of the outbreak remains uncertain, the financial impact has been mostly limited to the unrealised losses in the Company's investment portfolio arising due to market conditions that are not solely driven by the pandemic. In this regard, the Directors continue to implement the Company's high quality and short duration investments strategy. The Company is well placed on program business written to date with minimal exposure to claims arising from COVID-19, with the vast majority of this exposure ceded to high quality rated reinsurers. The existing legacy book has minimal underwriting exposure remaining and no expected exposure to COVID-19 related claims. The Company's capital position is robust and the Directors are confident that the Company will continue trading through the current COVID-19 crisis.

The Company maintains a robust system of governance which, in light of the nature, scale and complexity of the Company' 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 and the Compliance and Risk Committee, in addition to the key functions which are outsourced to the Group and external service providers in line with the Company's Outsourcing Policy. 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.

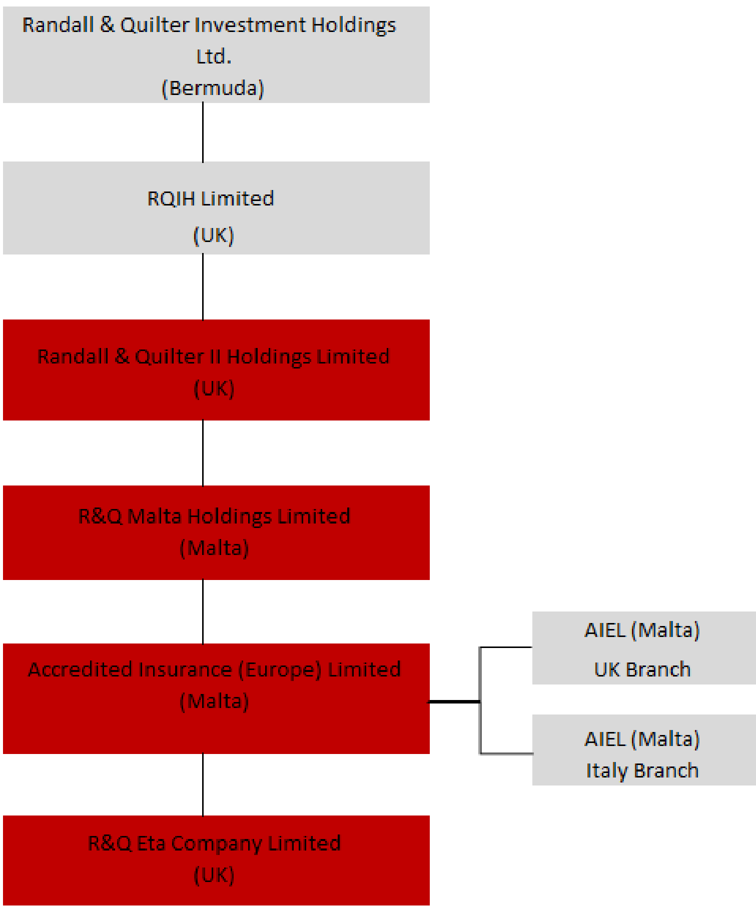
A. Business and Performance

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
Notabile Road, BKR3000, Attard, Malta</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</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>Randall & Quilter Investment Holdings Ltd – Bermuda</td></tr>
<tr><td>Qualifying Shareholders (as at 8 February 2022)</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>58,423,064</td><td>21.23</td></tr>
<tr><td>Phoenix Asset Management Partners Ltd</td><td>28,314,076</td><td>10.29</td></tr>
<tr><td>Slater Investments</td><td>26,679,842</td><td>9.69</td></tr>
<tr><td>J O Hambro Capital Management Ltd</td><td>18,335,673</td><td>6.66</td></tr>
<tr><td>Aberdeen Standard Investments</td><td>18,199,562</td><td>6.61</td></tr>
<tr><td>Premier Miton Group plc</td><td>17,102,184</td><td>6.21</td></tr>
<tr><td>Hudson Structured Capital Management</td><td>11,779,119</td><td>4.28</td></tr>
</table>
</td></tr>
</table>

Authorised Classes of Business	The Company is licenced to write the following classes of business on a direct and reinsurance basis	
	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	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

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 2021, the Company concluded 12 new agreements with managing cover-holders writing "program" motor, property, surety, liability, financial loss and after-the event (ATE) business in the United Kingdom, Republic of Ireland, Italy, and other EU countries. This brings the total number of active program facilities up to 36 at the end of 2021, 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, mostly with reinsurers that do not fall below the A- rating or equivalent.

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". As part of its Brexit solution, the Company has submitted an application to PRA to operate as a Third Country Branch following the expiry of the TPR. The application is still in process as of the date of this report.

In 2020, the Company established an Italian Branch with the intention of expanding "program" operations in Italy. In 2021, the Company wrote one new program out of the Italian branch.

On 30 March 2021, the domestic mergers of R&Q Alpha Insurance SE (SE 11) and R&Q Beta Insurance SE (SE 12) into the Company were completed, which were both entities under common control. On 30 December 2021, the domestic merger of R&Q Insurance (Europe) Limited ('RQIE') was also completed, in line with the provisions of Maltese law. RQIE's shares were transferred to the Company from R&Q Malta Holdings Limited, the immediate parent company of both the Company and RQIE, prior to the merger taking place, funded via a shareholder's contribution of £6.66m and the settlement of the immediate parent company loan balance due to the Company. As a result of the mergers, the merging companies acquired by the Company have ceased to exist and the Company has succeeded in acquiring all the assets, rights, liabilities and obligations of the merging companies. The transactions of the acquired companies have been accounted for in the Company with an effective date of 1 January 2021 and resulted in net technical reserves taken on of £1.80m, relating to the run-off portfolios that were previously managed by the merged entities. The mergers of Alpha and Beta resulted in an increase in share capital of £6.48m, whilst the merger of RQIE resulted in a shareholder contribution of £6.66m being made, and a transfer of an investment property valued at £1.35m as at the end of the financial year.

In November 2021, the Company re-affirmed a rating of A- from A.M. Best. This will allow the Company to continue with its strategy to be a market leader in the niche legacy and program markets.

A2. Underwriting Performance

The following are the highlights for the year:

Legacy Business

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

- The reinsurance arrangement with The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited / UK P&I Club N.V. ("UK P&I Club") was amended in 2021 to exclude the non-EEA UK P&I Club risks transferred to R&Q Gamma Company Limited ("R&Q Gamma") by a Part VII transfer approved in December 2021. The Company has continued to provide reinsurance in respect of the transferred risks through a high-level Adverse Development cover to R&Q Gamma.
- During 2021, the Company agreed to accept defined reinsurance liabilities from Delvag Versicherungs-AG by way of Portfolio Transfer anticipated to complete in Quarter 2 of 2022 with a 100% inward reinsurance arrangement established and effective as at 31 December 2020.
- A further two smaller 'legacy' transactions were completed in 2021.
- In total, the four legacy transactions outlined above generated £5.95m of technical income and resulted in a transfer of reserves of £16.35m as at the end of 2021.
- The mergers into the Company of R&Q Alpha Insurance Company SE, R&Q Beta Insurance Company SE and R&Q Insurance (Europe) Limited were completed in 2021 with an underwriting profit of £0.25m on the underlying legacy portfolios and £1.80m of technical liabilities transferred.
- Adjustments to provisions and unpaid balances together with additional premium received in 2021, net of amortisation of intangible assets, generated a further profit of £1.61m.
- A gain of £1.38m was registered following the recognition of an intangible asset upon the completion of an insurance business transfer, equivalent to the discounting impact on the reserves taken over.
- Reserves for claims which are IBNR 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 2021, the Company's total technical reserves on portfolios taken over in prior years remained largely stable with positive development on UK asbestosis exposures offsetting deteriorations in respect of European workers' compensation and liability.

In terms of legacy business, the Company expects to keep growing this area of business. The Directors are of the belief that the market will continue to provide opportunities for the Company in terms of companies looking for capital relief by disposing of liabilities and captive insurance companies looking to release capital or improve capital efficiency.

A significant change to the way the Company absorbs future legacy transactions is expected, following the announcement made by the Company's ultimate parent entity, Randall & Quilter Investment Holdings Ltd, on 6 September 2021, with respect to the formation of Gibson Re, a

Bermuda-domiciled collateralised reinsurer. Gibson Re will reinsure 80% of the Group's new qualifying legacy transactions for the next three years. Whilst this will mean less risk retained at the level of the Company, it will also result in the Company receiving annual recurring fees on the ceded reserves, as well as potential performance fees, thus transforming the Company's legacy operations into primarily a recurring fee-based business. Existing legacy transactions will not be in any way affected by the formation of Gibson Re.

Program Business

A technical profit of £6.96m (2020: £3.75m) before allocation of net investment income was registered during 2021 on this type of business. Highlights for 2021 are as follows:

- The technical profit is driven by the increase in earned over-rider commission from £6.69m in 2020 to £10.54m in 2021 in line with the growth in written and earned premium and in the number of live programs.
- The overrider commission was complemented by a net underwriting income on the retained portion of business of £3.72m (2020: £0.64m), by Group technical staff cost and service charge allocations of £2.00m (2020: £1.29m) 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 14% of the program gross written premium for the year 2021. Together with the programs entered into in prior years, the program business generated gross written premium of £387.00m (2021: £228.91m), of which 78% is written in the United Kingdom, 11% is written in the Republic of Ireland, and the remainder in other EU countries. This business is substantially reinsured with £349.41m (2020: £209.55m) ceded to quota share reinsurers and £6.58m (2021: £3.21m) 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 2021. However given the increases in the property, liability and miscellaneous financial loss classes, the company has seen increased diversification across the written lines of business. In fact, the share of motor business has come down from 71% of program written premium in 2020 to 50% in 2021.
- By year end 2021, 22 of the active "program" portfolios were written through the UK Branch office. In 2021 the Company submitted an application to the PRA to convert the UK Branch to a Third Country Branch, so as to enable the Company to continue to write business in the UK following the expiry of the Temporary Permissions Regime ("TPR"). The application is still being processed. Moreover, in 2020, the Company established its Italian Branch with the intention of expanding its operations in Italy. In 2021, one program was written through this branch.

The Company has been able to significantly increase its volume of program business, improving its average over-rider commission rate, 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 £14.93m (after an allocation of £1.22m in investment losses) for the 12 months to 31 December 2021 (2020: £6.83m) and is summarised below by material line of business with the comparative analysis for 2020.

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

Year ended 31 December 2020:	WC	GL	Motor	Property	Other	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Earned premiums, net of reinsurance	0	5,183	16,682	14,063	689	36,616
Acquisition costs, net of reinsurance	0	(551)	(2,182)	(908)	(273)	(3,914)
Claims incurred, net of reinsurance	(234)	(3,043)	(13,901)	(10,288)	(61)	(27,527)
Net Underwriting Result	(234)	1,589	599	2,867	355	5,175
Other technical income	0	411	4,094	1,008	1,167	6,680
Claims Handling Cost and other technical expenses	(364)	(487)	(1,093)	(279)	(168)	(2,392)
	(599)	1,513	3,600	3,595	1,355	9,464
Allocated investment income	(810)	(738)	(243)	(433)	(408)	(2,633)
Net Technical Result	(1,409)	774	3,357	3,162	946	6,831

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	2021	2020
	£'000s	£'000s
Casualty	4,192	3,754
General Liability	40,339	21,191
Marine, Avation, Transport	5,958	3,705
Workers Compensation	21,376	15,230
Motor	142,545	108,107
Property	43,794	23,326
Legal Expenses	2,143	424
Misc. Fin Loss	2,740	265
Other	2,940	935
Total	**266,026**	176,936

Geographical Segmentation of Classes of Business

	2021	2020
United Kingdom	**78.74%**	69.78%
Ireland	**5.36%**	0.00%
Netherlands	**3.05%**	0.00%
Europe (others)	**6.50%**	13.25%
New Zealand	**0.06%**	1.75%
United States	**2.12%**	6.79%
Australia	**1.49%**	4.75%
Other	**2.70%**	3.68%
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.

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

	2021	2020
	£000s	£000s
Units in Collective Investment Schemes	**15,400**	7,250
Equities	**7,683**	13,870
Debt Securities	**104,539**	64,646
Loans to Group	**38,060**	30,521
Deposits with Banks	**5,472**	35,089
Investment property	**1,350**	-
Cash at Bank	**10,194**	10,056
Total	**182,698**	161,432

The Company registered an investment loss of £2.93m for the period under review (2020: gain of £0.51m), representing a significant decrease over the previous year, mainly attributed to the unrealised fair value loss on debt securities and unrealised differences on exchange. The fair value losses resulted from adverse volatility in capital markets, which significantly affected the Company's fixed income portfolio, in spite of the prudent investment strategy. The exchange losses resulted mainly from the strengthening of the British pound against the Euro.

The breakdown of the investment return is as follows:

	2021	2020
	£000s	£000s
Interest on group loans	**513**	1,648
Interest on debt securities	**2,043**	1,406
Net fair value (losses)/gains on equities and debt securities	**(3,219)**	(2,255)
Net exchange differences	**(2,254)**	(85)
Rental income	**163**	-
Investment management fees	**(209)**	(219)
Other investment income	**32**	11
Total	**(2,931)**	506

The Company enjoys a steady interest income flow on funds invested in debt securities. The reduction in interest income on loans to the Group is attributable mainly to reduced interest rates given the current interest rate climate. In addition, the Company obtained ownership of a commercial property in 2021, thus earning rental income, through the merger of RQIE. The property is valued at £1.35m at year end.

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

The Company registered a loss before tax of £5.34m (2020: £0.01m) for the year under consideration due to the increase in net operating expenses which offset the positive technical results.

The Company is experiencing a period of significant infrastructural 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 been given a significant push during 2021 and, in a staggered and risk-based approach, are expected to materially progress during 2022 with completed implementation by the middle of 2023. In addition, the

Company is also building 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 will come into force on 1 January 2023. As anticipated, these separate yet interlinked projects as well as the continued investment in growing the program business, both at the level of the Company and at the level of the Group, have significantly increased the Company's cost base, both in relation to directly incurred costs as well as recharges incurred by the Company from entities under common control. The Company's cost base is currently, yet temporarily, growing at a faster pace than technical income, and thus, despite a promising technical result, the Company registered a loss before tax for the year under review.

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, Canadian Dollar 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**	
	2021 £000	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Currency of exposure:						
USD	**44,005**	13,900	**(40,157)**	(12,935)	**3,847**	965
EUR	**144,631**	88,027	**(143,343)**	(87,410)	**1,288**	616
AUD	**5,834**	5,382	**(6,108)**	(5,412)	**(275)**	(30)
CAD	**123**	107	**(123)**	(65)	**-**	42
DKK	**46**	50	**(90)**	(18)	**(43)**	31
NOK	**1,377**	76	**(1,409)**	(403)	**(32)**	(327)

B. System of Governance

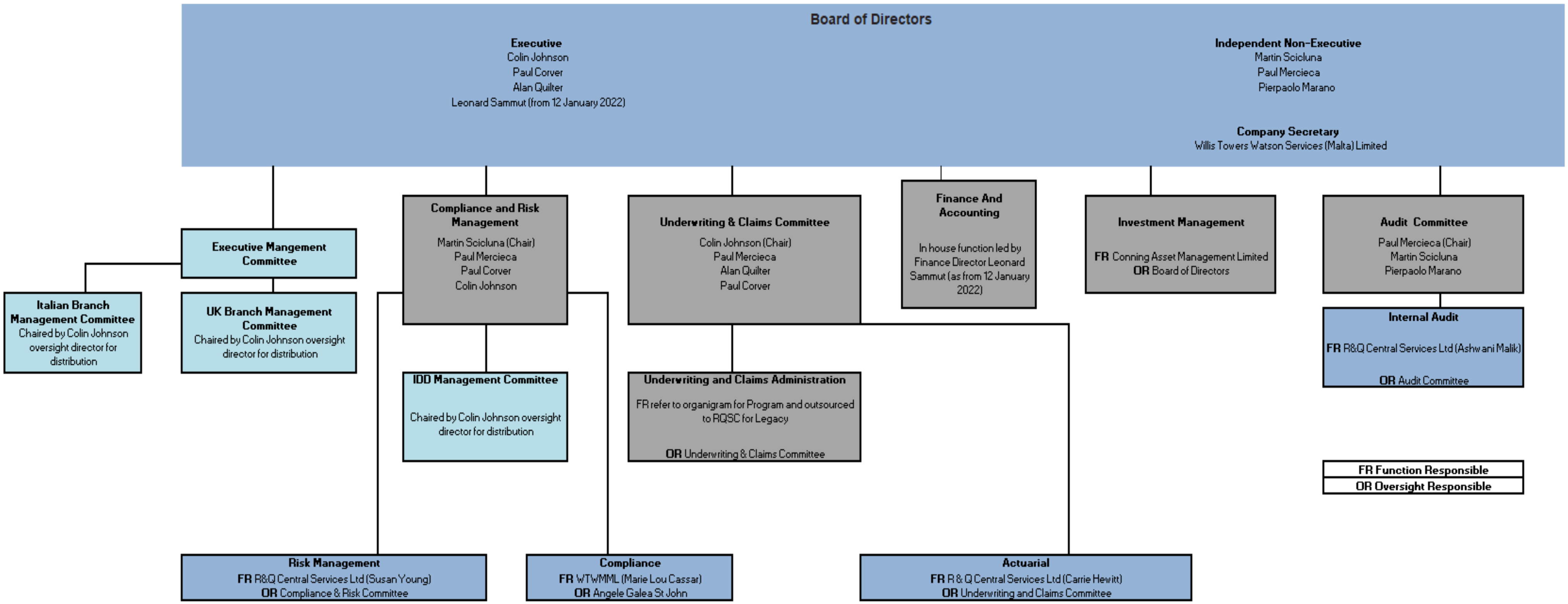
B1. General Information on the System of Governance

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 2021 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 ensure 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

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
- 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 receive management information on breaches and complaints
- 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 Investment Committee

In 2021, the Board has endorsed the Group's overall investment strategy, which provides for an Investment Committee at Group level, subject to compliance with any specific local regulatory obligations. Subsequently, the Board of Directors has taken over the responsibility for all investment matters previously delegated to the Company's Investment Committee. During 2021, the investment manager was changed from Morgan Stanley Investment Management Ltd to Conning Asset Management Ltd.

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
- 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
- Assess potential new underwriting opportunities for 'legacy' deals
- 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
- Determine and annually review the Company's claims protocol/communications strategy
- 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:

- The Committee monitors the integrity of the financial statements and regulatory returns of the Company and reviews and reports to the board on significant financial reporting issues, including its annual and half-yearly reports, interim management statements, preliminary announcements and any other formal statements relating to its financial performance, and reviews and reports to the board on significant financial reporting issues and judgements which those statements contain, having regard to matters communicated to it by the external auditor.

- In particular, the Committee reviews and challenges where necessary:
  - ⇒ the application of significant accounting policies and any changes to them;
  - ⇒ the methods used to account for significant or unusual transactions where different approaches are possible;
  - ⇒ whether the Company has adopted appropriate accounting policies and made appropriate

estimates and judgements, taking into account the external auditor's views on the financial statements;
- ⇒ all material information presented with the financial statements;
- ⇒ whether proper accounting records have been maintained and assets are adequately safeguarded; and
- ⇒ whether reasonable steps have been taken for the prevention and detection of fraud and other irregularities.

- Specifically on compliance, whistleblowing and fraud, the Committee:

⇒ reviews 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 and ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

⇒ reviews the Company's procedures for detecting fraud; and

⇒ reviews the Company's systems and controls for the prevention of bribery and receives reports on non-compliance.

- Specifically on internal audit, the Committee:

⇒ reviews and approves the role and mandate of internal audit, monitors and reviews the effectiveness of its work, and annually approves the internal audit charter ensuring it is appropriate for the current needs of the organisation;

⇒ reviews and approves the annual internal audit plan to ensure it is aligned to the key risks of the business, and receives regular reports on work carried out;

⇒ ensures that Internal Audit has unrestricted scope, the necessary resources to perform in accordance with appropriate professional standards for internal auditors and access to information to enable it to fulfil its mandate;

⇒ ensures that there is open communication between different functions and that the Internal Audit Function evaluates the effectiveness of these functions as part of its internal audit plan;

⇒ ensures that the Head of Internal Audit has direct access to the board Chair and to the Committee Chair, providing independence from the executive and accountability to the Committee;

- Specifically on external audit, the Committee:

⇒ considers and makes recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditor;

⇒ develops and oversees the selection procedure for the appointment of the audit firm; ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;

⇒ if an external auditor resigns, investigates the issues leading to this and decides whether any action is required;

⇒ oversees the relationship with the external auditor.

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

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, an additional independent non-executive director was appointed as a director on the Board and as a member of the Audit Committee. Two directors resigned and a new director was appointed on 12 January 2022. 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 2021, the Company employed a total of 46 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 Group Remuneration Committee. 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 £38.06m to immediate and ultimate Shareholders as at 31 December 2021. The loans are unsecured and repayable within one year and attract a market interest rate.

During the year, the mergers of Alpha and Beta resulted in an increase in share capital of £6.48m, whilst the merger of RQIE resulted in an additional shareholder contribution of £6.66m.

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 hid 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

The Company'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 the Company'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

The Company operates within the Group's risk management framework 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 Company may be exposed to, are being appropriately identified and managed within the 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 its 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 Company 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 entity's strategic objectives;
- Facilitation and oversight of the business plans of the Group's 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 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/or Company risk committees and Boards.

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 registers 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 the Compliance and Risk Committee and Board and where appropriate to the Group Risk and Compliance Committee and RQIH Board.
- 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 the risk management system.

The Company's Internal Audit Function is provided by the Group Internal Audit team, supplemented with third party professional resources as required. 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 the Company, this is articulated via a series of quantitative and qualitative statements covering all categories in the risk universe (see section 'Risk & Control Management Process').

Risk Policies

The Company adopts the Group's risk policy structure, tailoring the policies about regulatory requirements, the Company's risk profile and the principles of proportionality. The Company's 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, Risk and Compliance Committee and Board, considers the applicability and magnitude of the respective risk to the Company 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)

The process begins with the identification of risks and an analysis of the nature of each risk. Managers within the business, together with managers within the outsourced providers (predominantly the Group), are involved at this stage of risk management, whether for new or existing risks. The aim is for all involved to be aware of the risks to the business objectives and to be able to 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 controls and mitigations. 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

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 the Company 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 the Company 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, and 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. In addition to this, the Risk Management Function reports to the Board and to the Compliance and Risk committee on a quarterly basis.

Review

Once the key business risks have been identified, assessed and subjected to controls throughout various parts of the business, it is important to review 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. Group's Risk Management or Internal Audit Functions.

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 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 ("ORSA")

The ORSA process is fundamentally a continuous, embedded, forward-looking process, requiring the assessment of the entity's needs over a longer planning horizon than that contemplated by 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.

Identification of ORSA Trigger

The ORSA will normally be triggered by the annual business planning cycle. However, a planned / unplanned change to business strategy/ or risk profile which falls materially outside the scope envisaged in the rolling three-year plan either qualitatively (e.g. entry into new markets) or quantitatively may constitute a trigger if deemed sufficiently material by the Board. This may include:

- A planned or unplanned material change to the business strategy and / or risk profile
- A projected change in liabilities over a plan year exceeding the level planned in the rolling three-year plan by greater than 50%
- Concerns as to the appropriateness of the standard formula for setting the SCR
- An actual or anticipated breach of requirements in relation to capital & solvency as set by generic regulation and / or as specifically agreed with regulatory bodies
- An actual or anticipated breach of the SII technical provisions requirements
- Any reassessment of the SCR related to the transfer of a new portfolio not already included in the planned period
- Any external event that may materially impact the business plan

Any actual or anticipated breach of regulatory requirements (generic regulation or specific individual arrangements), or other material issue that would reasonably be of significant interest to the supervisory authorities, should be notified without delay and a plan agreed for resolution. Such a plan may include, subject to discussion with the MFSA, a resubmission of one or more elements of the ORSA report.

ORSA Annual Cycle of Activities and Responsibilities

- Management will approve the commencement of the ORSA process.
- Assessment of potential capital impacts - this stage comprises the main part of the ORSA process and involves the assessment of capital needs based on the triggers identified.
- The assessment should explicitly consider the inter-relationship between the following:
  - The proposed business strategy.
  - The solvency capital requirement.
  - The material risks that the business faces over the ORSA planning horizon.
  - The planned and stressed return on capital in relation to the Board's risk appetite.
  - The actions that could be taken to address identified risks or breaches of risk appetite.
- Production of the ORSA Report - The ORSA report is based on a standard pro-forma that follows the annual ORSA process. Where a periodic ORSA report is produced, some of the categories may not be applicable in that particular instance, e.g. if there has been no material impact in that area. If that is the case, this is explained.
- The production of the ORSA report is coordinated by the Group Chief Risk Officer and the Risk Management Function.
- The report provides an assessment and recommendation of capital needs given a range of outcomes over the 3-year planning horizon.
- Board review and approval - The Board, following recommendations from the Compliance and Risk Committee, reviews and approves the report and in particular the confirmation statement on the risk profile, assessed capital needs and the adequacy of the processes underpinning this. The Board and the Compliance and Risk Committee are responsible for providing constructive challenge as they deem necessary on both the process and the output from it.
- ORSA finalisation - Once the Board has conducted its review and provided whatever challenge deemed necessary, the report and the process are finalised. The report is then submitted to the MFSA.
- Feedback loop - Although each ORSA process is separate and distinct, one of the principal outputs from it is a series of actions and decisions. Documented actions, decisions, owners and timescales resulting from the ORSA process form one of the principal inputs to the subsequent ORSA. These include decisions relating to strategy, risk and capital and changes thereto.

How the ORSA is Reviewed and Approved

The Company's ORSA process is owned, steered and challenged by the Board (delegated to the Compliance and Risk Committee) through the review and approval of the individual processes and outputs that underpin it. The primary elements of the capital and solvency assessment are core to the considerations 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 the Company'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 & authority flows, personnel & 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's Internal Audit (IA) function provides independent assurance to the Audit Committee and Executive Management that the organisation's risk management processes and control framework are operating effectively and efficiently, and that there is compliance with the Company's policies and procedures. In this regard Internal Audit liaises with Compliance and Risk Management Functions.

Authority

The IA function, with strict accountability for confidentiality and safeguarding of 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 the IA in fulfilling its roles and responsibilities, and to engage openly and constructively with IA and disclose all 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 that management is uncomfortable with internal audit'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 for specific reviews.

Reporting Lines

The primary reporting line for the Company's IA function is 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 Audit Committee and has direct access to the Chair of the Group's Board.

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

Independence

IA is independent of all the Company's other functions, including those responsible for risk, compliance, governance and finance. All other functions may be subject to audit. IA 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.

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

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

Internal Audits Performed

In 2021, Internal Audit issued 10 final audit reports on AIEL's operations and those of its service providers. A further seven audits were still in progress at the end of the year. Three reviews were postponed to 2022.

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. IA tracks all actions and provides reports on the status of all open items to the Audit Committee.

Internal Audit Plan

An internal audit plan is developed based on IA'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 2021 to 2023 inclusive. The rolling plan was approved by the Audit Committee and includes specific audits of the Company's operations 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 2021, 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 2021.

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 as well as the individuals 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 2021, 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

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

The Company 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, the Company maintains a risk register recording the results of its risk and control self-assessment process providing for an assessment of risk across defined categories.

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 these risks.

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

Risk management is a core process within the Company's Own Risk and Solvency Assessment ("ORSA") policy and is explained in greater detail in Section B3.

The Company faces risks spanning across 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.

The Company considers risks within the following categories:

- Insurance / Underwriting Risk
- Market Risk
- Credit Risk
- Liquidity Risk*
- Strategic Risk*
- Group Risk**
- Operational Risk (including Regulatory and Legal risks)

**Liquidity Risk and Strategic Risk are not explicitly considered by the Standard Formula SCR but have been included for completeness.*

*** The material Group Risks that the Company is exposed to are covered by Market Risk and Operational Risk.*

The detailed definitions of these categories of potential risk and the sub-categories of risk that underpin them are provided in the Company's risk management policy and the Group's risk management processes and procedures. The documents support both the initial identification of actual risk, the assessment of the completeness of the risk register and the consideration of the appropriateness and coverage of the capital requirements. The risk appetite framework consists of a series of qualitative statements and quantitative risk measures.

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.

C1. Insurance / Underwriting 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:

- **Pricing Risk** – the risk that the risk 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, a detailed due diligence is performed by experienced in-house or outsourced providers on each portfolio under consideration. The due diligence 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). In addition, 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 are reviewed and evaluated, in order to assess the adequacy of the IBNR and the risk premium to be charged, if any.

  Program business - a detailed due diligence is performed by experienced in house due diligence team for each Managing General Agent ("MGA") / coverholder under consideration. The due diligence 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 in the due diligence process 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 IBNRs.

- **Claims Risk** – 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** – 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 are 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 taken over 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 over the legacy portfolios are a mix of proportional and non-proportional covers. The Board could also decide to commute certain treaties should it be considered beneficial to do so.

  Program business - the Company requires 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** – 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 the adequacy of held reserves.

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

  Management and Mitigation:

  The Company's program strategy is to underwrite live business, with selective exposure to underwriting risk. This is achieved through the purchase of significant quota share reinsurance on a back-to-back basis, mostly from reinsurers who have at least an A- credit rating. If a reinsurer does not have this rating level or suffers a downgrade, the reinsurer is normally required to provide the Company with collateral that is at least equivalent to the projected level of technical provisions.

  Each portfolio presented to be written through a fronting arrangement will be required to complete a due diligence questionnaire and provide sufficient data to enable the Company and the supporting reinsurers to understand and analyse what is being proposed. Prior to agreeing to provide a program facility, the Company will carry out an internal actuarial valuation and due diligence of the business as well as an assessment of the capital required to underwrite the business over a three-year projected timeframe. The arrangement will only proceed if the Company has sufficient capacity to underwrite the business 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 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 the 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** - 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 by implementing detailed investment guidelines and monitoring investments.

- **Equity Price Risk -** 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 Company has established a set of investment guidelines that are also approved by the Board. These guidelines provide parameters for investment management, including contracts with external portfolio managers. They include, inter alia, reference to an optimal spread of the investment portfolio and maximum exposures 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 and are circulated to the Company's relevant key management personnel. These are also reviewed by the Board.

- **Spread Risk -** The spread 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 frequent basis and to review such 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 -** Currency risk arises from changes in the level or volatility of currency exchange rates.

  Management and Mitigation:

  The Company has a potential currency risk due to the global nature of the underlying business. The Company carries technical reserves in multiple currencies with the currency exposure substantially matched on an IFRS basis. 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.

  Under the Solvency II valuation, 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 and properties.

  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), however, the loan does not attract any capital related to concentration risk as the counterparty is located in Bermuda which has been granted Solvency II equivalence.

Other points relevant to market risk include the following:-

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

- **Prudent Person Principle -** The Company's management function ensures that assets are invested in accordance with the investment guidelines which reflect 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, at the same time as the Underwriting Committee 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 adequate provisions 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 assesses 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 ADCs 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 approved by the Company's Underwriting and Claims Committee and advised to the Group Reinsurance Asset Committee.
- 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 premium monies and claims floats are held in trust accounts in the name of AIEL. Credit risk arising from sliding scale receivables is also monitored.
- 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

The Company is exposed to operational risk through its operational outsourcing relationships, regulatory or legal environments and external events.

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

- **Operational - Outsourcing risk:** The risk that the Company is adversely affected because its outsourced service providers, including intra-group services, fail to meet 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 – 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) which 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 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.

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 and Strategic risk. These risks are managed in the same way as the other risk categories i.e., 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 AIEL 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.

Material Risk Exposures:

The Company has a good cash flow position with most of the premium income received upfront and external investments held in marketable and liquid securities. As a result, no material liquidity risk exposures are anticipated over the business planning time period.

The Company has the following additional controls in place to manage and mitigate liquidity risk:

- Quarterly meeting of the Reinsurance Asset Committee at Group level
- Regular review of program and legacy bad debt
- Cash flow statement included in the quarterly management accounts
- Quarterly monitoring of the liquidity key risk indicator to ensure the sufficiency of the Company's free funds available to meet projected and actual liquidity requirements.

- **Reputational Risk**

Historically, due to the legacy nature of the portfolios acquired by AIEL, 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 to cover the reserves and IBNR.

- **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.

- **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 using 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.

  On the program side, strategic risk is mitigated through a due diligence process that includes, but is not restricted to, the establishment of a “Star Chamber” whose purpose is to consider all opportunities prior to them being put through due diligence.

  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”. As part of its Brexit solution, the Company has applied to PRA to operate as a Third Country Branch following the expiry of the TPR. The application is still in progress as at the date of this report. In order to achieve a smooth transition a working group has been set-up between key functions. The working group meets on a regular basis to share knowledge and ensure that new guidance can be taken on board by all concerned in a timely manner. The working group reports to the Compliance and Risk Committee and to the Board.

C6. Any other information

There is no further information to be included.

D. Valuation for Solvency Purposes

D1. Assets

As at 31 December 2021, the Company held the following assets with valuation for solvency purposes as shown:

Class	**Valuation (£000s)**
Property, Plant and Equipment	92
Investments	
Property	1,350
Holdings in related undertakings	7,730
Bonds	104,539
Collective investment undertakings	15,400
Intra-Group Loans	38,060
Reinsurance Recoverables	181,256
Reinsurance Receivables	48,850
Insurance and Intermediaries Receivables	15,736
Deposits to Cedants	8,261
Deferred Tax Assets	2,844
Trade Receivables	5,705
Cash and Cash Equivalents	15,665
Total assets	**445,489**

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 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 £248.1m. The equivalent net amount is £66.8m. In addition, AIEL holds a risk margin of £11.9m.

Class	Gross Best Estimate	Risk Margin	RI Best Estimate	Net Technical Provision
	£000's	£000's	£000's	£000's
Workers' compensation insurance	21,349	1,787	9,972	13,164
Motor vehicle liability insurance	143,984	3,303	127,922	19,365
Other motor insurance	9,046	226	9,020	252
Marine, aviation and transport insurance	5,379	691	1,099	4,971
Fire and other damage to property insurance	33,117	2,092	24,652	10,556
General liability insurance	25,320	2,569	14,197	13,692
Credit and suretyship insurance	1,372	16	1,596	(207)
Legal expenses insurance	(15,208)	42	(12,515)	(2,651)
Income Protection insurance	6	1	-	6
Miscellaneous financial loss	55	3	50	8
Non-proportional casualty reinsurance	7,005	1,028	551	7,483
Non-proportional marine, aviation and transport reinsura	677	51	396	331
Non-proportional property reinsurance	572	100	4	668
Total Undiscounted	**232,674**	**11,908**	**176,944**	**67,638**
SII Expenses	11,526	-	-	11,526
ENIDs	13,564	-	11,858	1,706
Bad Debt	-	-	(717)	717
Discount	(9,701)	-	(6,828)	(2,873)
Total Discounted	**248,062**	**11,908**	**181,256**	**78,715**

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 10-15% of the losses are currently reserved to policy limits.

- Net claims reserves have been estimated by using Gross-to-Net ratios to reduce the gross reserves. There are £181.3m 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:

- Events Not In Data ("ENIDs").
- Additional expenses and Bad Debt.
- Discounting.

In setting the undiscounted claims TPs, the starting point is the IFRS 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 - 31/12/21

		£000's
IFRS	Net Earned Claims Reserves	69,364
	Net Unearned Premium Reserves	18,172
	Net Expense Reserves	0
Total Net IFRS Provisions		**87,536**
SII Adjustments	Removal of Profit from Unearned Business	(2,888)
	BBNI Premiums and Future Premium Reserves	(28,201)
	ENIDs	1,706
	Additional Expenses	11,526
	Discount	(2,873)
	Risk Margin	11,908
Total Adjustments		**(8,821)**
Total Net SII Provisions		**78,715**

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 in the UK QIS5 template). The SCR relating to the written and obliged business is run off using best estimate net discounted cash flows adjusted for future premiums, ENIDs and ULAE. The cost of capital of 6% is then applied to the SCR and discounted 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.

The SF model risk margin is calculated using the same approach to the simplified method 3.

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

  A majority 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 109 of the Delegated Regulation 2015/35.

D3. Other Liabilities

As at 31 December 2021, the Company held the following other liabilities with valuation for solvency purposes as shown:

Class	Valuation (£000s)
Subordinated Liabilities	20,683
Insurance & Intermediaries Payable	31,492
Reinsurance Payables	48,648
Trade Payables	5,988
Deferred Tax Liabilities	-
Provision other than Technical Provisions	335
Other Liabilities	1,641
Total Liabilities	**108,787**

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.

Contingent liabilities

The contingent liability relates to the best estimate valuation measured at the future expected outflow of resources given the possible outcomes of such a contingent event occurring.

Compliance with IFRS

The Company's valuation of other liabilities in its financial statements (prepared under IFRS accounting standards), with the exception of contingent liabilities (which are valued at £nil in the Company's financial statements), 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 2022-2024.

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 2021	**77,885**	**(23,565)**	**22,063**	**1,166**	**77,549**
Foreign exchange movements			(1,380)		(1,380)
Capital injection	13,135				13,135
Movement in restricted own funds		3,404			3,404
Movement in excess of assets over liabilities		138			138
Movement in deferred tax				1,678	1,678
Basic own funds at 31 December 2021	**91,020**	**(20,023)**	**20,683**	**2,844**	**94,524**

As at 31 December 2021, the Company's SCR and MCR coverage was as follows:

	Tier 1 £000s	Tier 2 £000s	Tier 3 £000s	Total £000s
Basic own funds	**70,997**	**20,683**	**2,844**	**94,524**
SCR				**45,201**
MCR				12,773
Total available own funds to meet SCR	**70,997**	**20,683**	**2,844**	**94,524**
Total available own funds to meet MCR	70,997	20,683		91,680
SCR Cover				**209%**
MCR Cover				718%
Total eligible own funds to meet SCR	**70,997**	**20,683**	**1,917**	**93,597**
Total eligible own funds to meet MCR	70,997	2,555		73,552
SCR Cover				**207%**
MCR Cover				576%

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 2021, the mergers of Alpha and Beta resulted in an increase in share capital of £6.48m.

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 2021, the merger of RQIE resulted in a shareholder contribution of £6.66m being made.

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 adjusts its basic own funds for certain portfolios which contain restricted own funds. These restrictions are in relation to the availability and transferability of own funds in connection to these portfolios.

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	**76,725**
Intangible asset within IFRS not permitted under Solvency II	3,797
Adjustment to equity method of investment	(47)
Difference in value of TPs as explained in Section D2	(8,822)
Pipeline premium included within TPs	21,680
Net deferred acquisition Costs included in TPs under Solvency II	(2,356)
Contingent liability	6
Equity as per IFRS	**90,983**

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'.

As the year end 2021, the SCR for AIEL is £45.2m with a corresponding MCR of £12.8m. 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	**12/2020**	**12/2021**
Non-life underwriting risk	15.0	19.8
Health underwriting risk	3.9	3.4
Life underwriting risk	-	-
Market risk	14.3	15.1
Counterparty default risk	13.9	9.5
Basic SCR (diversified)	33.3	35.8
Operational risk	8.1	9.4
SCR	41.4	45.2
MCR	10.6	12.8
Regulatory SCR	**41.4**	**45.2**

The equivalent SCR and MCR at the preceding year end were £41.4m and £10.6m respectively. The increase in the SCR reflects the future planned growth in AIEL's strategy as well as the achieved growth during 2021.

USP and Simplifications

We have, where considered appropriate, applied simplified approaches in determining the SCR for AIEL as at year end 2021 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 2021, 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

There is no material information to report.

Appendix 1 – ART Forms

Accredited Insurance (Europe) Limited

Solvency and Financial Condition Report

Disclosures

31 December

2021

(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 2021
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	2,844
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	92
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	129,019
R0080	*Property (other than for own use)*	1,350
R0090	*Holdings in related undertakings, including participations*	7,730
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	104,539
R0140	*Government Bonds*	10,448
R0150	*Corporate Bonds*	92,627
R0160	*Structured notes*	0
R0170	*Collateralised securities*	1,464
R0180	*Collective Investments Undertakings*	15,400
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	38,060
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	38,060
R0270	Reinsurance recoverables from:	181,256
R0280	*Non-life and health similar to non-life*	181,256
R0290	*Non-life excluding health*	172,113
R0300	*Health similar to non-life*	9,142
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	8,261
R0360	Insurance and intermediaries receivables	15,736
R0370	Reinsurance receivables	48,850
R0380	Receivables (trade, not insurance)	5,705
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	15,665
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	445,489

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	259,971
R0520	*Technical provisions - non-life (excluding health)*	237,867
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	227,746
R0550	*Risk margin*	10,121
R0560	*Technical provisions - health (similar to non-life)*	22,104
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	20,316
R0590	*Risk margin*	1,787
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	6
R0750	Provisions other than technical provisions	335
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	31,492
R0830	Reinsurance payables	48,648
R0840	Payables (trade, not insurance)	5,988
R0850	Subordinated liabilities	20,683
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	20,683
R0880	Any other liabilities, not elsewhere shown	1,641
R0900	**Total liabilities**	368,764
R1000	**Excess of assets over liabilities**	76,725

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	3	-2	130,095	62,741	261	51,290	79,626	10,206	53,398		2,271					389,890
R0120	Gross - Proportional reinsurance accepted	0	22	3,327	5,895	317	1,876	10,229	2,162	15	0		3,375					27,219
R0130	Gross - Non-proportional reinsurance accepted														34	97	238	370
R0140	Reinsurers' share	0	0	0	99,743	73,605	0	44,169	76,281	8,757	51,154		2,271		0	0	0	355,982
R0200	Net	0	25	3,325	36,247	-10,547	2,137	17,351	5,506	1,463	2,244		3,375		34	97	238	61,496
	Premiums earned																	
R0210	Gross - Direct Business	0	3	-2	118,152	56,755	261	48,621	44,280	8,751	2,347		1,953					281,120
R0220	Gross - Proportional reinsurance accepted	0	22	3,327	5,895	317	1,876	10,229	2,162	15	0		3,375					27,219
R0230	Gross - Non-proportional reinsurance accepted														34	97	238	370
R0240	Reinsurers' share	0	0	0	90,677	68,995	0	42,684	41,301	7,526	2,612		1,953		0	0	0	255,749
R0300	Net	0	25	3,325	33,369	-11,924	2,137	16,166	5,140	1,240	-265		3,375		34	97	238	52,959
	Claims incurred																	
R0310	Gross - Direct Business	0	0	7,580	81,580	24,810	-1,706	40,679	19,296	380	2,161		2,475					177,254
R0320	Gross - Proportional reinsurance accepted	0	48	-8,974	-1,569	756	4,245	11,386	3,657	12	0		413					9,973
R0330	Gross - Non-proportional reinsurance accepted														52	598	177	827
R0340	Reinsurers' share	0	0	-1,029	72,465	22,310	-90	36,619	18,337	302	1,945		36		35	5	-22	150,914
R0400	Net	0	48	-366	7,546	3,255	2,628	15,446	4,616	90	216		2,851		17	593	199	37,140
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0	0	0	0	0	0	0	0	0	0		0					0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0		0					0
R0430	Gross - Non-proportional reinsurance accepted														0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0	0	0	0		0		0	0	0	0
R0500	Net	0	0	0	0	0	0	0	0	0	0		0		0	0	0	0
R0550	**Expenses incurred**	0	2	510	1,217	-3,228	235	3,046	-1,453	-76	-602		-67		45	20	15	-336
R1200	**Other expenses**																	
R1300	**Total expenses**																	-336

S.05.02.01

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		289,401	33,569	17,946	33,913	6,023	380,852
R0120	Gross - Proportional reinsurance accepted		0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted		0	0	0	0	0	0
R0140	Reinsurers' share		263,323	31,673	16,325	33,913	5,432	350,667
R0200	Net	0	26,078	1,896	1,620	0	591	30,185
	Premiums earned							
R0210	Gross - Direct Business		212,520	25,476	16,530	12,103	5,836	272,466
R0220	Gross - Proportional reinsurance accepted		0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted		0	0	0	0	0	0
R0240	Reinsurers' share		194,626	23,874	15,070	12,103	5,238	250,911
R0300	Net	0	17,894	1,602	1,460	0	598	21,554
	Claims incurred							
R0310	Gross - Direct Business		131,206	8,741	17,329	6,305	233	163,813
R0320	Gross - Proportional reinsurance accepted		0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted		0	0	0	0	0	0
R0340	Reinsurers' share		116,823	8,267	15,861	6,305	209	147,465
R0400	Net	0	14,383	474	1,468	0	24	16,349
	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**		-354	-207	-229	-392	-161	-1,342
R1200	**Other expenses**							
R1300	**Total expenses**							-1,342

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		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	
		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	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	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	0	0	0	10,735	652	0	-9,049	-13,579	1,125	-11,727		-245		-101	-60	-63	-22,311
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	10,342	950	-9	-6,037	-10,334	1,316	-10,658		-245		0	0	0	-14,675
R0150	**Net Best Estimate of Premium Provisions**	0	0	0	393	-298	9	-3,012	-3,245	-191	-1,068		0		-101	-60	-63	-7,636
	Claims provisions																	
R0160	Gross	0	6	20,311	138,838	10,325	5,368	44,552	39,795	454	2,223		300		6,898	678	628	270,374
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	9,142	118,192	8,912	1,046	31,477	23,736	352	1,959		282		470	361	4	195,931
R0250	**Net Best Estimate of Claims Provisions**	0	6	11,168	20,646	1,413	4,321	13,076	16,060	102	264		18		6,428	317	624	74,443
R0260	**Total best estimate - gross**	0	6	20,311	149,572	10,977	5,368	35,504	26,217	1,579	-9,504		55		6,796	618	565	248,062
R0270	**Total best estimate - net**	0	6	11,168	21,038	1,115	4,331	10,064	12,815	-89	-805		18		6,327	257	561	66,807
R0280	**Risk margin**	0	1	1,787	3,303	226	691	2,092	2,569	16	42		3		1,028	51	100	11,908
	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	0
R0300	Best estimate	0	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	0
R0320	**Technical provisions - total**	0	7	22,097	152,875	11,203	6,059	37,595	28,786	1,595	-9,462		58		7,825	669	665	259,971
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	0	9,142	128,534	9,861	1,037	25,440	13,402	1,668	-8,699		37		470	361	4	181,256
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	0	7	12,955	24,341	1,341	5,022	12,156	15,384	-73	-762		21		7,355	308	661	78,715

S.19.01.21

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											9,443	9,443	9,443
R0160	2012	0	0	0	0	35	56	8	537	0	443		443	1,079
R0170	2013	0	0	0	53	-1	1	79	1,620	93			93	1,845
R0180	2014	0	0	66	73	94	177	13	192				192	614
R0190	2015	0	220	-1	1,080	0	703	36					36	2,038
R0200	2016	236	1,369	687	1,067	117	2,242						2,242	5,718
R0210	2017	2,645	7,427	2,260	1,261	14,405							14,405	27,999
R0220	2018	5,000	14,583	10,769	37,050								37,050	67,402
R0230	2019	20,054	40,206	77,125									77,125	137,385
R0240	2020	22,721	78,923										78,923	101,643
R0250	2021	21,170											21,170	21,170
R0260												**Total**	241,122	376,336

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											61,062	34,761
R0160	2012	0	0	0	0	0	1,337	246	341	431	1,705		1,501
R0170	2013	0	0	0	0	3,371	369	289	931	1,697			29
R0180	2014	0	0	0	1,443	96	345	600	1,170				1,009
R0190	2015	0	0	3,483	632	581	1,452	2,837					240
R0200	2016	0	1,081	459	3,038	3,567	1,006						910
R0210	2017	14,064	2,710	1,993	3,793	3,590							2,322
R0220	2018	8,704	7,170	9,964	19,643								17,452
R0230	2019	16,187	23,714	67,357									49,143
R0240	2020	28,579	161,513										103,708
R0250	2021	141,716											58,905
R0260												**Total**	269,979

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	40,175	40,175		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	-20,023	-20,023			
R0140	Subordinated liabilities	20,683		0	20,683	0
R0160	An amount equal to the value of net deferred tax assets	2,844				2,844
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	50,845	50,845	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**	94,525	70,997	0	20,683	2,844
	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	94,525	70,997	0	20,683	2,844
R0510	Total available own funds to meet the MCR	91,681	70,997	0	20,683	
R0540	Total eligible own funds to meet the SCR	93,598	70,997	0	20,683	1,917
R0550	Total eligible own funds to meet the MCR	73,552	70,997	0	2,555	
R0580	**SCR**	45,201				
R0600	**MCR**	12,773				
R0620	**Ratio of Eligible own funds to SCR**	207.07%				
R0640	**Ratio of Eligible own funds to MCR**	575.85%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	76,725
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	93,865
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	2,883
R0760	**Reconciliation reserve**	-20,023
	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

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	15,812		
R0020	Counterparty default risk	9,915		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	3,535		
R0050	Non-life underwriting risk	20,701		
R0060	Diversification	-14,156		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	35,807		

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	9,394
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
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**	45,201
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	45,201
	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	40,961
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	4,240
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	0

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
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

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCR_{NL} Result	12,773

		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	0
R0030	Income protection insurance and proportional reinsurance	6	25
R0040	Workers' compensation insurance and proportional reinsurance	11,168	3,325
R0050	Motor vehicle liability insurance and proportional reinsurance	21,038	19,197
R0060	Other motor insurance and proportional reinsurance	1,115	6,461
R0070	Marine, aviation and transport insurance and proportional reinsurance	4,331	2,132
R0080	Fire and other damage to property insurance and proportional reinsurance	10,064	17,351
R0090	General liability insurance and proportional reinsurance	12,815	5,549
R0100	Credit and suretyship insurance and proportional reinsurance	0	1,463
R0110	Legal expenses insurance and proportional reinsurance	0	2,244
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	18	3,375
R0140	Non-proportional health reinsurance	0	249
R0150	Non-proportional casualty reinsurance	6,327	70
R0160	Non-proportional marine, aviation and transport reinsurance	257	111
R0170	Non-proportional property reinsurance	561	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	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	0	
R0250	Total capital at risk for all life (re)insurance obligations		0

Overall MCR calculation

		C0070
R0300	Linear MCR	12,773
R0310	SCR	45,201
R0320	MCR cap	20,340
R0330	MCR floor	11,300
R0340	Combined MCR	12,773
R0350	Absolute floor of the MCR	3,126
R0400	**Minimum Capital Requirement**	12,773