# Group Solvency & Financial Condition Report

The United Kingdom Mutual Steam
Ship Assurance Association Ltd.
For the year ended 20th February 2023

# Group Solvency and Financial Condition Report

for the year ended 20 February 2023

**The United Kingdom Mutual Steam Ship Assurance Association Limited**

## Contents

## Summary

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

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

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

*Tables 1-3: Business and performance summary*

| Performance Indicator (GAAP basis)<br>Amounts in US$000 | 2023 | 2022 |
|---|---|---|
| Combined ratio | 104.5% | 115% |
| Investment result | (43,266) | 19,576 |
| Total comprehensive (loss) / income after tax | (57,861) | (19,092) |

| Consolidated (SII basis)<br>Amounts in US$000 | 2023 | 2022 |
|---|---|---|
| Eligible Own Funds | 635,762 | 646,992 |
| | | |
| SCR | 317,731 | 331,280 |
| Capital Adequacy Ratio | 200% | 195% |
| | | |
| MCR | 76,053 | 75,313 |
| Capital Adequacy Ratio | 627% | 639% |

| Solo (SII basis)<br>Amounts in US$000 | 2023 | 2022 |
|---|---|---|
| Eligible Own Funds | 605,576 | 609,095 |
| | | |
| SCR | 256,965 | 256,958 |
| Capital Adequacy Ratio | 236% | 237% |
| | | |
| MCR | 64,241 | 64,239 |
| Capital Adequacy Ratio | 743% | 748% |

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

## Directors' Statement

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

We are satisfied that:

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

Director
Andrew J Taylor

Director
Nigel De Silva

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

29th June 2023

## Auditor’s Report

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

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

**Opinion**

Except as stated below, we have audited the following documents prepared by The United Kingdom Mutual Steam Ship Assurance Association Limited (‘UKC’) and its subsidiaries (together ‘the Group’) as at 20 February 2023:

- The ‘Valuation for solvency purposes’ and ‘Capital Management’ sections of the Group Solvency and Financial Condition Report of The United Kingdom Mutual Steam Ship Assurance Association Limited as at 20 February 2023, (‘**the Narrative Disclosures subject to audit**’);

- Group templates S.02.01.02, S.23.01.22, S32.01.22 (‘**the Group Templates subject to audit’**); and

- UKC Company templates S.02.01.02, S17.01.02, S.23.01.01, S28.01.01 (‘**the Company Templates subject to audit’**).

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

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

- information contained within the relevant elements of the Group Solvency and Financial Condition Report set out about above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;

- The ‘Summary’, ‘Business and performance’, ‘System of governance’ and ‘Risk profile’ elements of the Group Solvency and Financial Condition Report;

- Group templates S.05.01.02, S.05.02.01, S.25.02.22, S.25.03.22;

- UKC Company templates S.05.01.02, S.05.02.01;

- the written acknowledgement by management of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report (‘**the Responsibility Statement’**);

- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations. ‘**the sectoral information’**.

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

In our opinion, the information subject to audit in the relevant elements of the Group Solvency and Financial Condition and the relevant templates of the Group and UKC as at 20 February 2023 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determination.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

- Checked the solvency through reference of sufficiency of assets to meet liabilities and the adequacy of regulatory capital;

- Review of the Group's budget for the next 12 months considering the validity of assumptions made; and

- Enquiries of the Directors and scrutiny of management information, board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Group's ability to continue as a going concern.

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

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

**Emphasis of Matter – Basis of Accounting**

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

**Other Information**

The Directors are responsible for the Other Information.

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

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

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

**Responsibilities of Directors for the Group Solvency and Financial Condition Report**

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

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

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

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

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

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

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

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

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

- Review of correspondence with the Prudential Regulation Authority (‘PRA’) and Financial Conduct Authority (‘FCA’);

- Review of the assumptions and methodology applied by the Group in the valuation of the Best estimate to consider whether the methods utilised are in compliance with Technical Actuarial Standards (TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance), using our actuaries as auditors experts;

- Enquiries of management;

- Review of minutes of board meetings throughout the period; and

- Agreement of the Group SFCR to underlying supporting documentation.

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

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

**Other Matters**

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

**Report on Other Legal and Regulatory Requirements.**

**Sectoral Information**

In our opinion, in accordance with Rule 4.2 of the External Audit Chapter of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

**Other Information**

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

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

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

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

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

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

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

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

**Solo partial internal model**

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

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

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

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

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

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

# A. Business and Performance

## A.1. Business

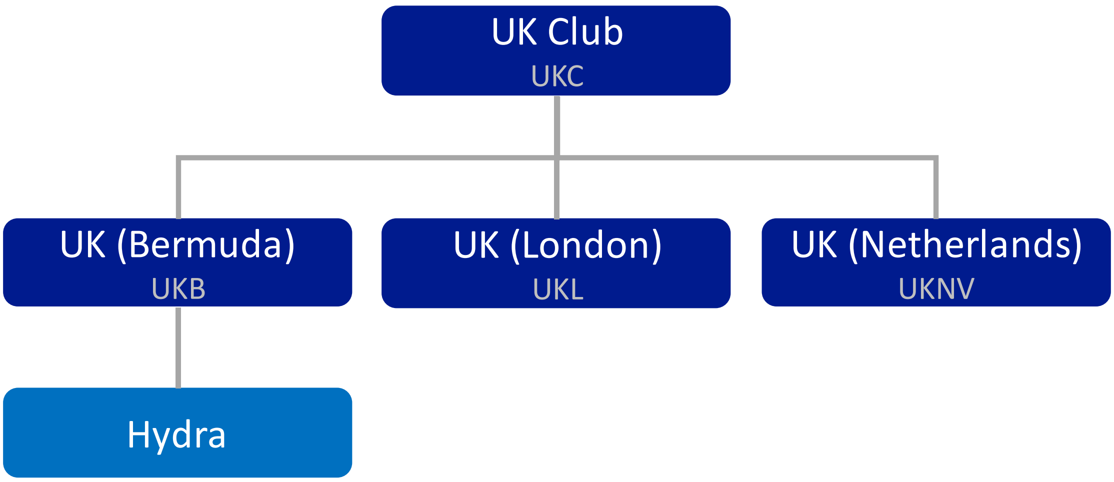
### *Corporate information*

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

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

### *Group structure*

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




- **The United Kingdom Mutual Steam Ship Assurance Association Limited (UKC)** writes all of the Club's direct business either directly (through branches in Hong Kong, Singapore and Japan), through a delegated authority arrangement with Thomas Miller Specialty, or via a reinsurance arrangement with UKNV.
- **The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited (UKB)** reinsures 90% of UKC's business (net of external reinsurances).
- **The United Kingdom Mutual Steam Ship Assurance Association (London) Limited (UKL)** transferred its liabilities to UKC by way of a legal process on 30 December 2020. Regulatory permission was relinquished in June 2022. UKL will be made dormant in due course.
- **UK P&I Club N.V. (UKNV)** was established in order to continue to operate throughout the European Economic Area EEA. UKNV also provides a fronting solution for a number of other mutual insurance companies managed by Thomas Miller. This business is 100% reinsured back to the fronted insurer so that UKNV does not retain any of the risk.

- **Club's Hydra Cell** – The Club owns, together with other members of the International Group (IG), a reinsurance captive in the form of a segregated cell company in Bermuda, Hydra Insurance Company Limited. The Club owns 100% of its own cell and this cell is included in the Club's consolidated financial statements.

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

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

### *Other information*

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

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

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

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

## A.2. Underwriting performance

### *Underwriting performance measures*

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

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

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

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

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

### *Recent Underwriting performance*

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

The combined ratio of 104% reported this year represents a significant improvement over last year's result and is in line with the Club's financial forecast. However, the average combined ratio over the last eight years exceeds 100% and therefore the Group has exceeded its underwriting target over recent years.

*Table 4: Recent underwriting performance (GAAP)*

| **Amounts in $000** | **2023** | **2022** |
|---|---|---|
| **Income** | | |
| Gross premium earned | 475,995 | 336,044 |
| Outward reinsurance premiums | (172,035) | (106,331) |
| Net earned premium | 303,960 | 229,713 |
| Other insurance income | 3,618 | 3,632 |
| Investment return transferred from the non-technical account | (43,266) | 19,576 |
| **Total income** | **264,312** | **252,921** |
| | | |
| **Expenses** | | |
| Net claims paid | (257,813) | (246,910) |
| Change in provision for claims | 7,904 | 29,242 |
| Net claims incurred | (249,909) | (217,668) |
| Net operating expenses | (71,360) | (50,826) |
| **Total expenses** | **(321,269)** | **(268,494)** |
| | | |
| **Balance on technical account** | **(56,957)** | **(15,573)** |

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

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

The overall loss was transferred to free reserves.

## A.3. Investment performance

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

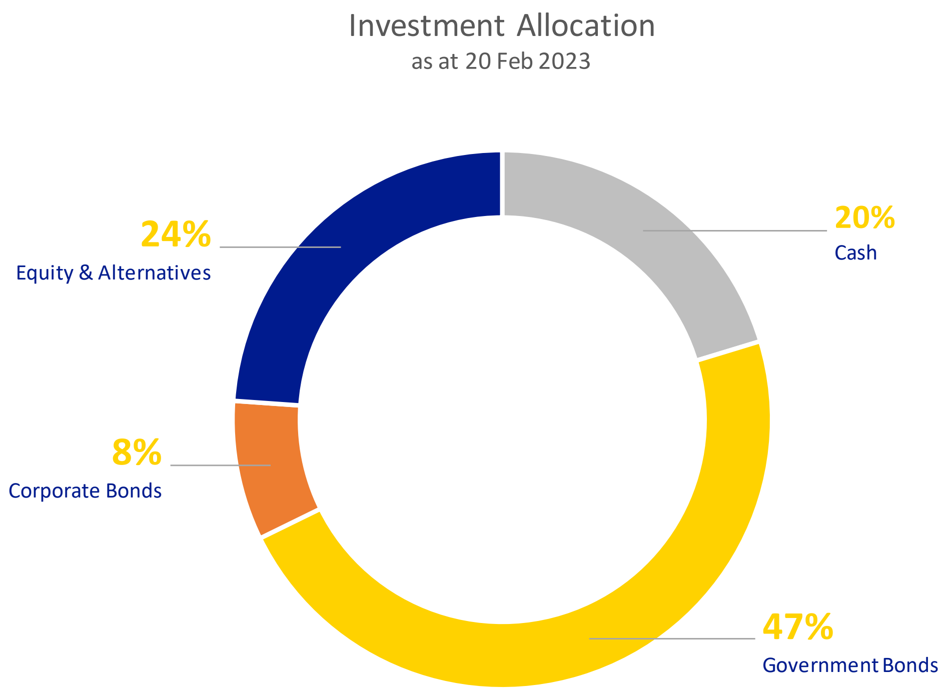
Having established a matched portfolio, limited investment risk is accepted to achieve the best return available from the surplus assets.

Some factors that may influence future investment return are:

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

### *Asset allocation*

The following graph provides the breakdown of the investment portfolio.




### *Investment performance*

The total portfolio returned a $43.3 million loss (2022: $19.6 million gain) (including currency losses) over the 2022/23 financial year. Investment returns per the financial statements are further detailed in the table below:

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

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

| Year-ending Feb 2022 | Income | Net Realised Gains/(Losses) | Net Unrealised Gains/(Losses) | Total Investment Return |
|---|---|---|---|---|
| Equity and Debt securities | 18,753 | 120,944 | (113,286) | 26,411 |
| Cash and Cash equivalents | 40 | - | - | 40 |
| Other Investment Charges | (6,875) | - | - | (6,875) |
| **Total Net Investment Return** | **11,918** | **120,944** | **(113,286)** | **19,576** |

## A.4. Performance from other activities

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

## A.5. Any other information

***Events after the reporting period:***

**Post year end, a legal transfer of EEA claims liabilities was authorised by the De Nederlandsche Bank (DNB)**

On 27 February 2020, the Club entered into an arrangement with Randall & Quilter (‘R&Q’) in respect of the Club’s occupational disease (‘OD’) claims – a long-tailed and consequently volatile liability mostly relating to asbestos exposures in the second half of the last century. Initially a reinsurance arrangement protected against future deterioration of these liabilities.

On 8 December 2021 the Club’s non-EEA OD liabilities were transferred to R&Q via a legal process in the UK. Subsequent to the financial year end, the Club received authorisation from the DNB on 24 March 2023 to transfer its remaining EEA OD liabilities (of $2.75 million) during the 2023/24 financial year.

# B. System of Governance

## B.1. General Information on the System of Governance

### B.1.1. Overview

The Board of UKC, as the ultimate parent undertaking, directs and has responsibility for all activities of the Group. The Board of UKC consists of five shipowner Directors. They are drawn principally from the shipowner Members, three specialist Directors and two Managers with executive responsibilities.

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

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

Several committees support the Board as discussed below.

#### B.1.1.1. Committee Structure

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

***Group Audit & Risk Committee (“GARCO”)***
GARCO is responsible for monitoring the risk management system and internal control framework against the Board’s risk appetite and policies. GARCO directs the internal audit function and oversees the external audit function to gain assurance over significant risks.

***Nominations Committee (“NOMCO”)***
NOMCO makes recommendations regarding the appointment of new Directors and the composition of committees and subsidiary boards to ensure that the Board continues to be composed of suitably qualified and skilled individuals.

***Investment Committee (“IVCO”)***
IVCO makes recommendations to the Board in respect of the Investment Mandate and reviews in detail the performance of the investment portfolio.

***Ship & Membership Quality Committee (“QUALCO”)***

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

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

### B.1.1.2. Key Functions

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

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

## B.1.2. Remuneration

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

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

## B.1.3. Related party transactions

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

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

### B.1.4. Board remuneration

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

## B.2. Fit and Proper Requirements

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

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

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

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

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

The Group's Fit & Proper Policy applies to:

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

## B.3. Risk Management System

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

***The Group's Risk Management System***

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

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

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

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

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

### *The Partial Internal Model ("PIM")*

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

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

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

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

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

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

### *Risk Management Strategy*

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

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

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

### *Key Risks*

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

### *Implementation of the Risk Management Strategy: Risk Policies and Procedures*

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

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

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

### *Risk Appetite*

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

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

### *Business Risk Log: Assessment, Measurement and Management*

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

### *Emerging Risk Log*

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

### *Risk Rating*

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

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

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

### *Own Risk and Solvency Assessment ("ORSA")*

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

The key elements of the ORSA process are:

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

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

- Capital related decisions;

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

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

### *Stress and Scenario testing*

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

### *Risk Controls*

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

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

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

### *Risk Mitigation*

#### *Reinsurance*

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

#### *International Group Pool*

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

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

### *Risk Reporting Procedures*

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

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

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

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

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

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

## B.4. Internal Control System

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

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

***Control activities***

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

***Control environment***

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

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

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

***Compliance function***

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

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

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

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

## B.5. Internal Audit Function

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

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

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

***Independence***

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

## B.6. Actuarial Function

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

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

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

## B.7. Outsourcing

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

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

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

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

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

***Management outsourcing***

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

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

***Delegated Underwriting Authority***

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

***Investment management outsourcing***

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

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

***Internal audit outsourcing***

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

***Oversight***

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

## B.8. Any Other Information

The Group considers no other information material to be disclosed.

## C. Risk Profile

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

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

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

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

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

### C.1. Underwriting Risk

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

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

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

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

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

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

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

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

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

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

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

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

In addition to the reinsurance purchased externally, the primary insurer, UKC reinsures 90.0% of its residual risks to UKB.

## C.2. Market Risk

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

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

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

***The prudent person principle***

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

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

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

*Table 6: The Group's exposure to assets by currency as at 20 February 2023 as reported in its financial statements (GAAP):*

| Amounts in $000 | US Dollar | Sterling | Euro | Other | Total |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Total Assets | 1,794,353 | 81,534 | 99,182 | 1,010 | **1,976,079** |
| Total Liabilities | (1,357,112) | (43,505) | (87,010) | (58,007) | **(1,545,634)** |
| **Net Assets** | **437,241** | **38,029** | **12,172** | **(56,997)** | 430,445 |

## C.3. Credit Risk

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

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

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

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

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

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

*Table 7: The Group's assets by counterparty rating as at 20 February 2023 as reported in the Group's financial statements (GAAP):*

| Amounts in US$000s | AAA | AA | A | Not readily available /other | Total |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Financial investments | 467,492 | 45,267 | 36,180 | 332,126 | **881,065** |
| Cash and cash equivalents | 52,037 | 9,200 | 148,846 | 15,177 | **225,260** |
| Derivative financial instruments | - | 1,317 | - | - | **1,317** |
| Debtors | - | - | - | 166,972 | **166,972** |
| Reinsurers' share of technical provisions | - | 85,209 | 485,101 | 129,724 | **700,034** |
| Other | 1,232 | 199 | - | - | **1,431** |
| **Total** | **520,761** | **141,192** | **670,127** | **643,999** | **1,976,079** |

## C.4. Liquidity Risk

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

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

*Table 8: The future maturity of assets and liabilities held by the Group as at 20 February 2023 as reported in its financial statements (GAAP):*

| Amounts in US$000s | Short term assets | Within 1 year | 1-2 years | 2-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| Assets | 467,140 | 440,855 | 345,229 | 462,288 | 260,567 | **1,976,079** |
| Liabilities | 175 | (583,701) | (306,409) | (427,553) | (228,146) | **(1,545,634)** |
| **Net** | 467,315 | (142,846) | 38,820 | 34,735 | 32,421 | **430,445** |

As further disclosed in appendix S.23.01.22, expected loss in future premium is estimated to be $6.5 million. However, it should be noted that this estimated loss is based upon future cash flows as required by Solvency II and does not therefore necessarily correspond to the estimated surplus under GAAP Financial Reporting Standards ("FRS") accounting principles. Entities are required to report this figure on a gross basis. As a consequence for the Group, this figure excludes the impact of reinsurance arrangements, in particular the pooling agreement.

## C.5. Operational Risk

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

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

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

## C.6. Other Material Risks

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

## C.7. Any Other Information

The Group considers no other information material to be disclosed.

## D. Valuation for Solvency Purposes

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

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

## D.1. Assets

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

| | Solvency II | | FRS | |
|---|---|---|---|---|
| **Amounts in $000** | **2023** | **2022** | **2023** | **2022** |
| Investments | 906,843 | 976,213 | 853,776 | 948,490 |
| Derivatives | 4,463 | 3,440 | 4,463 | 3,440 |
| Reinsurance share of technical provisions | 789,491 | 707,632 | 825,388 | 639,725 |
| Insurance and non-insurance receivables | 56,397 | 30,493 | 180,739 | 108,267 |
| Cash and cash equivalents | 88,248 | 89,455 | 88,248 | 89,455 |
| Any other assets not elsewhere shown | 374 | 4,109 | 374 | 11,345 |
| **Total classified under the SII allocation rule** | 1,845,816 | 1,807,902 | 1,952,989 | 1,800,722 |

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

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

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

### *Investments*

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

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

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

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

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

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

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

### *Reinsurance share of technical provisions*

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

### *Cash and cash equivalents*

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

### *Insurance receivables*

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

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

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

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

### *Non insurance receivables (trade, not insurance)*

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

### *Any other assets not elsewhere shown*

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

## D.2.Technical Provisions

*Table 10: Group's technical provisions as at 20 February*

| Amounts in $000 | 2023 | 2022 |
|---|---|---|
| Gross best estimate | 1,281,874 | 1,259,827 |
| Risk Margin | 46,799 | 49,590 |
| Reinsurance best estimate | (789,491) | (707,632) |
| **Net technical provisions** | **539,182** | **601,785** |

### *Technical provisions*

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

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

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

### *Claims*

The claims outstanding element of the technical provisions is calculated using standard actuarial techniques to project the cash flows (including chain ladder and Bornhuetter-Ferguson methods). The key assumptions related to the initial expected claims cost for each policy year and the projected notified claims development pattern. These methods are considered appropriate given the longevity and stability of the Group and its claims handling processes.

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

### *Premiums*

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

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

### *Expenses*

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

### *Risk margin*

The risk margin is calculated based on the requirement to hold capital to meet the SCR until all claims liabilities are settled and a cost-of-capital rate of 6.0% per annum. The SCR in this context is made up of Underwriting Risk, Counterparty Default Risk and Operational Risk only; assets are assumed to be invested in such a way that Market Risk will be zero. A detailed analysis has been carried out to determine the run off profile of these risks. The results of this analysis have been used to project the SCRs required in future time periods.

### *Reinsurance recoverables*

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

### *Differences between FRS and Solvency II technical provisions*

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

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

| Amounts in $000 | Note | Gross | RI | Net |
|---|---|---|---|---|
| **FRS technical provisions** | | **1,450,171** | **700,034** | **750,137** |
| Remove Deferred Acquisition Costs | 1 | 14,028 | - | **14,028** |
| Deconsolidate amounts relating to Hydra | | - | 125,354 | **(125,354)** |
| **FRS Technical provisions as per tables 9 and 12** | | **1,464,199** | **825,388** | **638,811** |
| Remove unearned premium provision | 1 | (78,401) | (55,591) | **(22,810)** |
| Adjustments to best estimate valuation basis | 2 | 137,547 | 178,669 | **(41,122)** |
| Reallocations | 3 | (111,014) | (58,416) | **(52,598)** |
| Adjustment to expense reserve | 4 | 18,559 | - | **18,559** |
| Provision for contracts bound but not incepted | 5 | 42,365 | 34,583 | **7,782** |
| Reinsurance counterparty default adjustment | 6 | - | (11,805) | **11,805** |
| Effects of discounting | 7 | (191,381) | (123,337) | **(68,044)** |
| **Solvency II technical provisions before risk margin** | | **1,281,874** | **789,491** | **492,383** |
| Risk Margin | 2 | 46,799 | - | **46,799** |
| **Total Solvency II technical provisions** | | **1,328,673** | **789,491** | **539,226** |

***Notes:***

***1. Elimination of unearned amounts***

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

***2. Adjustments to best estimate valuation basis***

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

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

***3. Reallocations***

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

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

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

***4. Adjustment to expense reserve***

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

***5. Provision for contracts bound but not incepted***

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

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

***6. Reinsurance counterparty default adjustment***

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

***7. Effects of discounting***

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

## D.3. Other liabilities

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

| | Solvency II | | FRS | |
|---|---|---|---|---|
| **Amounts in $000** | **2023** | **2022** | **2023** | **2022** |
| Technical provisions | 1,328,673 | 1,309,417 | 1,464,199 | 1,282,496 |
| Derivatives | 3,625 | 3,364 | 3,625 | 3,364 |
| Insurance and non-insurance payables | 36,546 | 13,694 | 94,962 | 47,575 |
| Any other liabilities, not shown elsewhere | 76 | 76 | 76 | - |
| **Total classified under the SII allocation rule** | **1,368,920** | **1,326,551** | **1,562,862** | **1,333,435** |

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

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

### *Technical provisions*

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

### *Insurance payables*

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

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

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

### *Non-insurance Payables (trade, not insurance)*

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

### *Any other liabilities not elsewhere shown*

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

## D.4. Alternative methods of valuation

The Group does not utilise any alternative methods of valuation.

## D.5. Any other information

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

# E. Capital Management

## E.1 Own funds

*Table 13: Group own funds as at 20 February*

| Amounts in $000 | 2023 | 2022 |
|---|---|---|
| SCR ratio | 200% | 195% |
| SCR | 317,731 | 331,280 |
| Eligible capital | 635,762 | 646,992 |
| Excess / (shortfall) | 318,031 | 315,712 |
| MCR ratio | 627% | 639% |
| Minimum Consolidated Group SCR | 76,053 | 75,313 |
| Eligible capital | 476,896 | 481,352 |
| Excess / (shortfall) | 400,843 | 406,039 |
| Tier 1 Basic own funds | 476,896 | 481,352 |
| Tier 2 Ancillary own funds | 158,865 | 165,640 |

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

1. Accumulated income and expenditure account reserve and reconciliation reserve, which falls under Tier 1 and counts as Basic Own Funds ("BOF"). These funds may be fully utilised to meet both the SCR and MCR.

2. According to its rules, the Group is entitled to make unlimited calls for supplementary premium to be made on Members. When received, they would become Tier 1 loss absorbent BOF and therefore count as Tier 2 Ancillary Own Funds ("AOF") for regulatory solvency purposes.

   The PRA has granted approval to UKC for a method of calculating AOF. Under the Solvency II regulations, up to 50.0% of the SCR may be covered by these funds. This amounted to $159 million of tier 2 AOF being eligible towards SCR coverage. Absent of this requirement, the AOF calculation method would result in an amount of $319.5 million.

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

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

### *Information, objectives, policies and processes for managing own funds*

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

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

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

| Amounts in $000 | 2023 |
|---|---|
| **Financial Statements** | **430,445** |
| Solvency II gross technical provisions adjustment | 118,771 |
| Of which reallocations from FRS balance sheet | (110,314) |
| Solvency II RI technical provisions adjustment | (35,897) |
| Of which reallocations from FRS balance sheet | 58,416 |
| Hydra valuation adjustment | 53,067 |
| Deconsolidation of Hydra balance sheet | (37,591) |
| **Total Solvency II basic own funds** | **476,897** |

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

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

### *SCR and MCR*

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

*Table 15: Summary of capital requirements as at 20 February*

| Amounts in $000 | 2023 | 2022 |
|---|---|---|
| **SCR** | **317,731** | **331,280** |
| Made up of: | | |
| Operational risk | 38,456 | 37,795 |
| Market risk | 164,851 | 158,949 |
| Underwriting & reserving risk | 119,255 | 156,304 |
| Counterparty default risk | 91,347 | 76,824 |
| Diversification effects | (96,178) | (98,592) |
| **Minimum Consolidated Group SCR** | **76,052** | **75,313** |

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

The SCR has reduced slightly to $317.7m, with a decrease in underwriting risk, offset by increases in market risk and counterparty default risk.

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

The Group does not use this sub-module.

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

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

### *Internal Model Scope*

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

However, as a P&I insurer, the Group's risk profile for underwriting risk is very different to that of typical insurers in the marine, aviation and transport insurance line of business. Consequently, it is inadequately reflected by the standard formula. This is exacerbated by the fact that the standard formula does not adequately reflect the Group's reinsurance structure.

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

### *Partial Internal Model – Underwriting Risk modelling approach*

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

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

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

The key data sources used in the model are:

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

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

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

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

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

## E.6 Any other information

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

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

## Appendix I: UKC Solo information

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

## 1. UKC Solo Valuation for Solvency Purposes

### 1.1 UKC Solo Assets

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

| | Solvency II | | FRS | |
|---|---|---|---|---|
| **Amounts in $000** | **2023** | **2022** | **2023** | **2022** |
| Investments | 410,122 | 366,881 | 128,692 | 116,115 |
| Reinsurance share of technical provisions | 1,180,244 | 1,155,152 | 1,273,680 | 1,113,017 |
| Insurance and reinsurance receivables | 28,719 | 5,553 | 126,651 | 64,276 |
| Trade receivables | 16,844 | 16,923 | 16,774 | 16,852 |
| Cash and cash equivalents | 60,952 | 73,216 | 60,981 | 73,217 |
| Any other assets not elsewhere shown | 206 | 78,262 | 206 | 14,412 |
| **Total classified under the SII allocation rule** | **1,697,086** | **1,695,988** | **1,606,984** | **1,397,889** |
| Difference between FRS/SII | - | - | (9,377) | (808) |
| **Total classified under FRS** | **-** | **-** | **1,597,607** | **1,397,081** |

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

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

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

## 1.2. UKC Technical Provisions

*Table 17: UKC technical provisions as at 20 February*

| Amounts in $000 | 2023 | 2022 |
|---|---|---|
| Gross best estimate | 1,205,151 | 1,188,801 |
| Risk Margin | 22,004 | 23,325 |
| Reinsurance best estimate | (1,180,244) | (1,155,152) |
| **Net technical provisions** | **46,911** | **56,974** |

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

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

### *Differences between FRS and Solvency II technical provisions*

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

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

| Amounts in $000 | Note | Gross | RI | Net |
|---|---|---|---|---|
| **FRS technical provisions per financial statements** | | **1,336,760** | **1,273,680** | **63,080** |
| Remove deferred acquisition costs | 1 | 8,734 | - | **8,734** |
| **FRS technical provisions per tables 16 and 19** | | **1,345,494** | **1,273,680** | **71,814** |
| Remove provision for unearned premium | 1 | (40,597) | (30,330) | **(10,267)** |
| Adjustments to best estimate valuation basis | 2 | 99,326 | 103,081 | **(3,755)** |
| Reallocations | 3 | (89,198) | (76,837) | **(12,361)** |
| Adjustment to expense reserve | 4 | 18,559 | 16,703 | **1,856** |
| Provision for contracts bound but not incepted | 5 | 53,324 | 82,182 | **(28,858)** |
| Reinsurance counterparty default adjustment | 6 | - | (12,133) | **12,133** |
| Effects of discounting | 7 | (181,757) | (176,102) | **(5,655)** |
| **Solvency II technical provisions before risk margin** | | **1,205,151** | **1,180,244** | **24,907** |
| Risk Margin | 2 | 22,004 | - | 22,004 |
| **Total Solvency II technical provisions** | | **1,227,155** | **1,180,244** | **46,911** |

### *Notes*

#### *1. Elimination of unearned amounts*

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

***2. Adjustments to best estimate valuation basis***

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

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

***3. Reallocations***

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

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

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

***4. Adjustment to expense reserve***

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

***5. Provision for contracts bound but not incepted***

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

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

***6. Reinsurance counterparty default adjustment***

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

***7. Effects of discounting***

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

## 1.3. UKC other liabilities

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

| | Solvency II | | FRS | |
|---|---|---|---|---|
| **Amounts in $000** | **2023** | **2022** | **2023** | **2022** |
| Technical provisions | 1,227,155 | 1,212,126 | 1,345,494 | 1,178,606 |
| Insurance and intermediaries payables | 3,670 | 2,481 | 3,670 | 2,481 |
| Reinsurance payables | 15,380 | (58) | 51,980 | 14,112 |
| Trade payables | 3,784 | 916 | 3,784 | 916 |
| Any other liabilities, not shown elsewhere | (29,997) | (93) | 10,241 | (93) |
| **Total classified under the SII allocation rule** | **1,219,992** | **1,215,372** | **1,415,169** | **1,196,022** |
| Difference between FRS/SII | - | - | (9,377) | (809) |
| **Total classified under FRS** | **-** | **-** | **1,405,792** | **1,195,213** |

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

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

## 2. UKC Capital Management

### 2.1 UKC Own funds

*Table 20: UKC own funds figures as at 20 February*

| Amounts in $000 | 2023 | 2022 |
|---|---|---|
| SCR ratio | 236% | 237% |
| SCR | 256,965 | 256,958 |
| Eligible capital | 605,576 | 609,095 |
| Excess / (shortfall) | 348,611 | 352,137 |
| | | |
| MCR ratio | 743% | 748% |
| MCR | 64,241 | 64,239 |
| Eligible capital | 477,094 | 480,617 |
| Excess / (shortfall) | 412,853 | 416,378 |
| | | |
| Tier 1 Basic own funds | 477,094 | 480,617 |
| Tier 2 Ancillary own funds | 128,483 | 128,479 |

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

The PRA has granted an approval for a method of calculation of ancillary own funds ("AOF") to UKC. Under the Solvency II regulations, up to 50.0% of the SCR may be covered by these funds. This amounted to $128.5 million of tier 2 ancillary own funds being eligible towards SCR coverage. In the absence of this requirement, the AOF calculation method would result in an amount of $319.5 million.

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

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

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

| Amounts in $000 | 2023 |
|---|---|
| **Financial Statements** | **191,815** |
| Solvency II gross technical provisions adjustment | 109,605 |
| Of which reallocations from FRS balance sheet | (89,127) |
| Solvency II RI technical provisions adjustment | (93,436) |
| Of which reallocations from FRS balance sheet | 76,837 |
| Solvency II revaluation of subsidiaries | 281,401 |
| **Total Solvency II basic own funds** | **477,094** |

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

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

## 2.2 UKC Solvency Capital Requirement and Minimum Capital Requirement

### *SCR and MCR*

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

*Table 22: Summary of capital requirements as at 20 February*

| Amounts in $000 | 2023 | 2022 |
|---|---|---|
| **SCR** | **256,965** | **256,958** |
| Made up of: | | |
| Operational risk | 36,155 | 35,664 |
| Market risk | 168,144 | 175,829 |
| Underwriting & reserving risk | 10,658 | 11,661 |
| Counterparty default risk | 100,007 | 89,399 |
| Diversification effects | (57,999) | (55,595) |
| **Minimum Capital Requirement** | **64,241** | **64,239** |

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

The SCR has remained consistent over the year. This is driven by a decrease in market risk offset by an increase in counterparty default risk. These are recognised as investments on UKC's Solvency II balance sheet.

The inputs into the MCR are net premium ($85.6 million) and net technical provisions ($24.9 million) as further detailed in UKC appendix S.28.01.01.

## Appendix II: Solvency II Group and Solo Output Data

# THE UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE ASSOCIATION LIMITED

## Solvency and Financial Condition Report

## Disclosures

20 February

2023

(Monetary amounts in USD thousands)

## General information

| | |
|---|---|
| Participating undertaking name | THE UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE ASSOCIATION LIMITED |
| Group identification code | 213800QWNPYB4MEE1U70 |
| Type of code of group | LEI |
| Country of the group supervisor | GB |
| Language of reporting | en |
| Reporting reference date | 20 February 2023 |
| Currency used for reporting | USD |
| Accounting standards | Local GAAP |
| Method of Calculation of the group SCR | Partial internal model |
| Method of group solvency calculation | Method 1 is used exclusively |
| Matching adjustment | No use of matching adjustment |
| Volatility adjustment | No use of volatility adjustment |
| Transitional measure on the risk-free interest rate | No use of transitional measure on the risk-free interest rate |
| Transitional measure on technical provisions | No use of transitional measure on technical provisions |

## List of reported templates

S.02.01.02 - Balance sheet

S.05.01.02 - Premiums, claims and expenses by line of business

S.05.02.01 - Premiums, claims and expenses by country

S.23.01.22 - Own Funds

S.25.02.22 - Solvency Capital Requirement - for groups using the standard formula and partial internal model

S.25.02.22 - Solvency Capital Requirement - for groups using the standard formula and partial internal model

S.32.01.22 - Undertakings in the scope of the group

**S.02.01.02**

## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Assets** | C0010 |
| R0030 | Intangible assets | |
| R0040 | Deferred tax assets | |
| R0050 | Pension benefit surplus | |
| R0060 | Property, plant & equipment held for own use | 0 |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 911,306 |
| R0080 | *Property (other than for own use)* | 0 |
| R0090 | *Holdings in related undertakings, including participations* | 87,134 |
| R0100 | *Equities* | 32,418 |
| R0110 | *Equities - listed* | |
| R0120 | *Equities - unlisted* | 32,418 |
| R0130 | *Bonds* | 178,679 |
| R0140 | *Government Bonds* | 178,679 |
| R0150 | *Corporate Bonds* | 0 |
| R0160 | *Structured notes* | 0 |
| R0170 | *Collateralised securities* | 0 |
| R0180 | *Collective Investments Undertakings* | 608,612 |
| R0190 | *Derivatives* | 4,463 |
| R0200 | *Deposits other than cash equivalents* | 0 |
| R0210 | *Other investments* | 0 |
| R0220 | Assets held for index-linked and unit-linked contracts | |
| R0230 | Loans and mortgages | 0 |
| R0240 | *Loans on policies* | 0 |
| R0250 | *Loans and mortgages to individuals* | |
| R0260 | *Other loans and mortgages* | |
| R0270 | Reinsurance recoverables from: | 789,491 |
| R0280 | *Non-life and health similar to non-life* | 789,491 |
| R0290 | *Non-life excluding health* | 789,491 |
| R0300 | *Health similar to non-life* | |
| R0310 | *Life and health similar to life, excluding index-linked and unit-linked* | 0 |
| R0320 | *Health similar to life* | |
| R0330 | *Life excluding health and index-linked and unit-linked* | |
| R0340 | *Life index-linked and unit-linked* | |
| R0350 | Deposits to cedants | 0 |
| R0360 | Insurance and intermediaries receivables | 25,860 |
| R0370 | Reinsurance receivables | 11,816 |
| R0380 | Receivables (trade, not insurance) | 18,722 |
| R0390 | Own shares (held directly) | |
| R0400 | Amounts due in respect of own fund items or initial fund called up but not yet paid in | 0 |
| R0410 | Cash and cash equivalents | 88,248 |
| R0420 | Any other assets, not elsewhere shown | 374 |
| R0500 | **Total assets** | 1,845,816 |

**S.02.01.02**

## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Liabilities** | C0010 |
| R0510 | Technical provisions - non-life | 1,328,673 |
| R0520 | *Technical provisions - non-life (excluding health)* | 1,328,673 |
| R0530 | *TP calculated as a whole* | |
| R0540 | *Best Estimate* | 1,281,874 |
| R0550 | *Risk margin* | 46,799 |
| R0560 | *Technical provisions - health (similar to non-life)* | 0 |
| R0570 | *TP calculated as a whole* | |
| R0580 | *Best Estimate* | |
| R0590 | *Risk margin* | |
| 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* | |
| R0630 | *Best Estimate* | |
| R0640 | *Risk margin* | |
| R0650 | *Technical provisions - life (excluding health and index-linked and unit-linked)* | 0 |
| R0660 | *TP calculated as a whole* | |
| R0670 | *Best Estimate* | |
| R0680 | *Risk margin* | |
| R0690 | Technical provisions - index-linked and unit-linked | 0 |
| R0700 | *TP calculated as a whole* | |
| R0710 | *Best Estimate* | |
| R0720 | *Risk margin* | |
| R0740 | Contingent liabilities | |
| R0750 | Provisions other than technical provisions | |
| R0760 | Pension benefit obligations | |
| R0770 | Deposits from reinsurers | |
| R0780 | Deferred tax liabilities | |
| R0790 | Derivatives | 3,625 |
| R0800 | Debts owed to credit institutions | |
| R0810 | Financial liabilities other than debts owed to credit institutions | |
| R0820 | Insurance & intermediaries payables | 7,924 |
| R0830 | Reinsurance payables | 22,500 |
| R0840 | Payables (trade, not insurance) | 6,122 |
| R0850 | Subordinated liabilities | 0 |
| R0860 | *Subordinated liabilities not in BOF* | |
| R0870 | *Subordinated liabilities in BOF* | 0 |
| R0880 | Any other liabilities, not elsewhere shown | 76 |
| R0900 | **Total liabilities** | 1,368,920 |
| | | |
| R1000 | **Excess of assets over liabilities** | 476,896 |

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) | | | | Total |
|---|---|---|---|---|---|---|
| | | Motor vehicle liability insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | |
| | | C0040 | C0060 | C0070 | C0080 | C0200 |
| | **Premiums written** | | | | | |
| R0110 | Gross - Direct Business | 612 | 474,223 | 2,009 | 33,024 | 509,869 |
| R0120 | Gross - Proportional reinsurance accepted | 0 | 0 | 0 | 0 | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | | | | | 0 |
| R0140 | Reinsurers' share | 605 | 215,819 | 1,811 | 28,748 | 246,983 |
| R0200 | Net | 7 | 258,404 | 198 | 4,276 | 262,886 |
| | **Premiums earned** | | | | | |
| R0210 | Gross - Direct Business | 612 | 442,888 | 1,925 | 30,507 | 475,933 |
| R0220 | Gross - Proportional reinsurance accepted | 0 | 0 | 0 | 0 | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | 0 |
| R0240 | Reinsurers' share | 528 | 200,956 | 1,683 | 26,477 | 229,644 |
| R0300 | Net | 84 | 241,932 | 242 | 4,031 | 246,289 |
| | **Claims incurred** | | | | | |
| R0310 | Gross - Direct Business | 2,083 | 421,927 | -2,784 | 12,388 | 433,614 |
| R0320 | Gross - Proportional reinsurance accepted | 0 | 0 | 0 | 0 | 0 |
| R0330 | Gross - Non-proportional reinsurance accepted | | | | | 0 |
| R0340 | Reinsurers' share | 2,083 | 253,601 | -2,784 | 12,388 | 265,288 |
| R0400 | Net | 0 | 168,326 | 0 | 0 | 168,326 |
| | **Changes in other technical provisions** | | | | | |
| R0410 | Gross - Direct Business | | | | | 0 |
| R0420 | Gross - Proportional reinsurance accepted | | | | | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | | | | | 0 |
| R0440 | Reinsurers' share | | | | | 0 |
| R0500 | Net | 0 | 0 | 0 | 0 | 0 |
| R0550 | **Expenses incurred** | 109 | 113,658 | 320 | 5,429 | 119,517 |
| R1200 | **Other expenses** | | | | | -3,618 |
| R1300 | **Total expenses** | | | | | 115,899 |

**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 | | | GR | US | JP | CN | DE | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | **Premiums written** | | | | | | | |
| R0110 | Gross - Direct Business | 17,673 | 81,541 | 129,084 | 45,637 | 40,486 | 31,257 | 345,677 |
| R0120 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0140 | Reinsurers' share | 8,561 | 39,499 | 62,529 | 22,107 | 19,612 | 15,141 | 167,448 |
| R0200 | Net | 9,112 | 42,042 | 66,555 | 23,530 | 20,874 | 16,116 | 178,229 |
| | **Premiums earned** | | | | | | | |
| R0210 | Gross - Direct Business | 16,497 | 76,114 | 120,492 | 42,599 | 37,791 | 29,177 | 322,669 |
| R0220 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0240 | Reinsurers' share | 7,960 | 36,726 | 58,139 | 20,555 | 18,235 | 14,078 | 155,692 |
| R0300 | Net | 8,537 | 39,388 | 62,353 | 22,045 | 19,556 | 15,098 | 166,977 |
| | **Claims incurred** | | | | | | | |
| R0310 | Gross - Direct Business | 7,299 | 111,224 | 51,191 | 29,782 | 14,980 | 3,115 | 217,589 |
| R0320 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0330 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0340 | Reinsurers' share | 4,465 | 68,048 | 31,319 | 18,221 | 9,165 | 1,906 | 133,123 |
| R0400 | Net | 2,833 | 43,177 | 19,872 | 11,561 | 5,815 | 1,209 | 84,467 |
| | **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** | 4,143 | 19,114 | 30,258 | 10,698 | 9,490 | 7,327 | 81,029 |
| R1200 | **Other expenses** | | | | | | | -2,453 |
| R1300 | **Total expenses** | | | | | | | 78,576 |

**S.23.01.22**

## Own Funds

| | Basic own funds before deduction for participations in other financial sector | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| R0010 | Ordinary share capital (gross of own shares) | 0 | 0 | | 0 | |
| R0020 | *Non-available called but not paid in ordinary share capital at group level* | 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 |
| R0060 | *Non-available subordinated mutual member accounts at group level* | 0 | | | | |
| R0070 | Surplus funds | 0 | 0 | | | |
| R0080 | *Non-available surplus funds at group level* | 0 | 0 | | | |
| R0090 | Preference shares | 0 | | 0 | 0 | 0 |
| R0100 | *Non-available preference shares at group level* | 0 | | | | |
| R0110 | Share premium account related to preference shares | 0 | | 0 | 0 | 0 |
| R0120 | *Non-available share premium account related to preference shares at group level* | 0 | | | | |
| R0130 | Reconciliation reserve | 476,896 | 476,896 | | | |
| R0140 | Subordinated liabilities | 0 | | 0 | 0 | 0 |
| R0150 | *Non-available subordinated liabilities at group level* | 0 | | | | |
| R0160 | An amount equal to the value of net deferred tax assets | 0 | | | | 0 |
| R0170 | *The amount equal to the value of net deferred tax assets not available at the group level* | 0 | | | | 0 |
| R0180 | Other items approved by supervisory authority as basic own funds not specified above | 0 | 0 | 0 | 0 | 0 |
| R0190 | *Non available own funds related to other own funds items approved by supervisory authority* | 0 | | | | |
| R0200 | Minority interests (if not reported as part of a specific own fund item) | 0 | | | | |
| R0210 | *Non-available minority interests at group level* | 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** | | | | | |
| R0230 | **Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities** | 0 | | | | |
| R0240 | *whereof deducted according to art 228 of the Directive 2009/138/EC* | 0 | | | | |
| R0250 | Deductions for participations where there is non-availability of information (Article 229) | 0 | | | | |
| R0260 | Deduction for participations included by using D&A when a combination of methods is used | 0 | | | | |
| R0270 | **Total of non-available own fund items** | 0 | 0 | 0 | 0 | 0 |
| R0280 | **Total deductions** | 0 | 0 | 0 | 0 | 0 |
| R0290 | **Total basic own funds after deductions** | 476,896 | 476,896 | 0 | 0 | 0 |
| | **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 | 158,866 | | | 158,866 | |
| R0370 | Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | | |
| R0380 | Non available ancillary own funds at group level | 0 | | | | |
| R0390 | Other ancillary own funds | 0 | | | | |
| R0400 | **Total ancillary own funds** | 158,866 | | | 158,866 | 0 |
| | **Own funds of other financial sectors** | | | | | |
| R0410 | Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies | 0 | | | | |
| R0420 | Institutions for occupational retirement provision | 0 | | | | |
| R0430 | Non regulated entities carrying out financial activities | 0 | | | | |
| R0440 | **Total own funds of other financial sectors** | 0 | 0 | 0 | 0 | 0 |

**S.23.01.22**

## Own Funds

| | Basic own funds before deduction for participations in other financial sector | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| | **Own funds when using the D&A, exclusively or in combination of method 1** | | | | | |
| R0450 | Own funds aggregated when using the D&A and combination of method | 0 | | | | |
| R0460 | Own funds aggregated when using the D&A and combination of method net of IGT | 0 | | | | |
| R0520 | Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A ) | 635,762 | 476,896 | 0 | 158,866 | 0 |
| R0530 | Total available own funds to meet the minimum consolidated group SCR | 476,896 | 476,896 | 0 | 0 | |
| R0560 | Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A ) | 635,762 | 476,896 | 0 | 158,866 | 0 |
| R0570 | Total eligible own funds to meet the minimum consolidated group SCR (group) | 476,896 | 476,896 | 0 | 0 | |
| R0610 | **Minimum consolidated Group SCR** | 76,053 | | | | |
| R0650 | **Ratio of Eligible own funds to Minimum Consolidated Group SCR** | 627.06% | | | | |
| R0660 | **Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A )** | 635,762 | 476,896 | 0 | 158,866 | 0 |
| R0680 | **Group SCR** | 317,731 | | | | |
| R0690 | **Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A** | 200.09% | | | | |

| | **Reconcilliation reserve** | C0060 |
|---|---|---|
| R0700 | Excess of assets over liabilities | 476,896 |
| R0710 | Own shares (held directly and indirectly) | |
| R0720 | Forseeable dividends, distributions and charges | |
| R0730 | Other basic own fund items | 0 |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | 0 |
| R0750 | Other non available own funds | |
| R0760 | **Reconciliation reserve** | 476,896 |
| | **Expected profits** | |
| R0770 | Expected profits included in future premiums (EPIFP) - Life business | |
| R0780 | Expected profits included in future premiums (EPIFP) - Non- life business | 6,452 |
| R0790 | **Total Expected profits included in future premiums (EPIFP)** | 6,452 |

S.25.02.22

USP Key

**For life underwriting risk:**
1 - Increase in the amount of annuity benefits
9 - None

USP Key

**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

USP Key

**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

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

| | Unique number of component | Component description | Calculation of the Solvency Capital Requirement | Amount modelled | USP | Simplifications |
|---|---|---|---|---|---|---|
| Row | C0010 | C0020 | C0030 | C0070 | C0090 | C0120 |
| 1 | 1 | Market Risk | 164,851 | | 9 | |
| 2 | 2 | Counterparty Default Risk | 91,347 | | 9 | |
| 3 | 5 | Non-Life underwriting risk | 119,255 | 119,255 | 9 | |
| 4 | 7 | Operational risk | 38,456 | | 9 | |

**S.25.02.22**

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

| | | C0100 |
|---|---|---|
| | **Calculation of Solvency Capital Requirement** | |
| R0110 | Total undiversified components | 413,909 |
| R0060 | Diversification | |
| R0160 | Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | |
| R0200 | **Solvency capital requirement excluding capital add-on** | 317,731 |
| R0210 | Capital add-ons already set | |
| R0220 | **Solvency capital requirement for undertakings under consolidated method** | 317,731 |
| | **Other information on SCR** | |
| R0300 | Amount/estimate of the overall loss-absorbing capacity of technical provisions | |
| R0310 | Amount/estimate of the overall loss-absorbing capacity ot deferred taxes | |
| R0400 | Capital requirement for duration-based equity risk sub-module | |
| R0410 | Total amount of Notional Solvency Capital Requirements for remaining part | |
| R0420 | Total amount of Notional Solvency Capital Requirement for ring fenced funds | |
| R0430 | Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios | |
| R0440 | Diversification effects due to RFF nSCR aggregation for article 304 | |
| R0470 | Minimum consolidated group solvency capital requirement | 76,053 |
| | **Information on other entities** | |
| R0500 | Capital requirement for other financial sectors (Non-insurance capital requirements) | 0 |
| R0510 | *Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies* | |
| R0520 | *Institutions for occupational retirement provisions* | |
| R0530 | *Capital requirement for non- regulated entities carrying out financial activities* | |
| R0540 | Capital requirement for non-controlled participation requirements | |
| R0550 | Capital requirement for residual undertakings | |
| | **Overall SCR** | |
| R0560 | SCR for undertakings included via D and A | |
| R0570 | **Solvency capital requirement** | 317,731 |

S.32.01.22

**Undertakings in the scope of the group**

| Row | Country | Identification code of the undertaking | Type of code of the ID of the undertaking | Legal Name of the undertaking | Type of undertaking | Legal form | Category (mutual/ non mutual) | Supervisory Authority |
|---|---|---|---|---|---|---|---|---|
| | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 |
| 1 | GB | 213800QWNPYB4MEE1U70 | LEI | The United Kingdom Steam Ship Assurance Association Limited | Non life insurance undertaking | Company limited by guarantee | Mutual | Prudential Regulatory Authority |
| 2 | BM | 213800IFVOX63ELTKM29 | LEI | The United Kingdom Steam Ship Assurance Association (Bermuda) Limited | Reinsurance undertaking | Company limited by guarantee | Mutual | Bermuda Regulatory Authority |
| 3 | BM | IPIR | Specific code | INTERNATIONAL P&I REINSURANCE COMPANY LTD | Reinsurance undertaking | Company limited by shares | Non-mutual | Isle of Man Financial Services Authority |
| 4 | NL | 724500T310DRX4FA7I75 | LEI | UK P&I CLUB N.V. | Non life insurance undertaking | Company limited by shares | Non-mutual | Dutch National Bank |
| 5 | GB | UKLONDON | Specific code | The United Kingdom Steam Ship Assurance Association (London) Limited | Non life insurance undertaking | Company limited by guarantee | Mutual | Prudential Regulatory Authority |

**S.32.01.22**

## Undertakings in the scope of the group

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Criteria of influence | | | | | | Inclusion in the scope of Group supervision | |
| | Country | Identification code of the undertaking | Type of code of the ID of the undertaking | Legal Name of the undertaking | % capital share | % used for the establishment of consolidated accounts | % voting rights | Other criteria | Level of influence | Proportional share used for group solvency calculation | YES/NO | Date of decision if art. 214 is applied |
| Row | C0010 | C0020 | C0030 | C0040 | C0180 | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 |
| 1 | GB | 213800QWNPYB4MEE1U70 | LEI | The United Kingdom Steam Ship Assurance Association Limited | | | | | | | Included in the scope | |
| 2 | BM | 213800IFVOX63ELTKM29 | LEI | The United Kingdom Steam Ship Assurance Association (Bermuda) Limited | | 100.00% | 100.00% | | Dominant | 100.00% | Included in the scope | |
| 3 | BM | IPIR | Specific code | INTERNATIONAL P&I REINSURANCE COMPANY LTD | 100.00% | 100.00% | 100.00% | | Dominant | 100.00% | Included in the scope | |
| 4 | NL | 724500T310DRX4FA7I75 | LEI | UK P&I CLUB N.V. | 100.00% | 100.00% | 100.00% | | Dominant | 100.00% | Included in the scope | |
| 5 | GB | UKLONDON | Specific code | The United Kingdom Steam Ship Assurance Association (London) Limited | | 100.00% | 100.00% | | Dominant | 100.00% | Included in the scope | |

S.32.01.22

## Undertakings in the scope of the group

| Row | Country | Identification code of the undertaking | Type of code of the ID of the undertaking | Legal Name of the undertaking | Group solvency calculation |
|---|---|---|---|---|---|
| | | | | | Method used and under method 1, treatment of the undertaking |
| | C0010 | C0020 | C0030 | C0040 | C0260 |
| 1 | GB | 213800QWNPYB4MEE1U70 | LEI | The United Kingdom Steam Ship Assurance Association Limited | Method 1: Full consolidation |
| 2 | BM | 213800IFVOX63ELTKM29 | LEI | The United Kingdom Steam Ship Assurance Association (Bermuda) Limited | Method 1: Full consolidation |
| 3 | BM | IPIR | Specific code | INTERNATIONAL P&I REINSURANCE COMPANY LTD | Method 1: Full consolidation |
| 4 | NL | 724500T310DRX4FA7I75 | LEI | UK P&I CLUB N.V. | Method 1: Full consolidation |
| 5 | GB | UKLONDON | Specific code | The United Kingdom Steam Ship Assurance Association (London) Limited | Method 1: Full consolidation |

# THE UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE ASSOCIATION LIMITED

## Solvency and Financial Condition Report

## Disclosures

20 February

2023

(Monetary amounts in USD thousands)

## General information

| | |
|---|---|
| Undertaking name | THE UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE ASSOCIATION LIMITED |
| Undertaking identification code | 213800QWNPYB4MEE1U70 |
| Type of code of undertaking | LEI |
| Type of undertaking | Non-life undertakings |
| Country of authorisation | GB |
| Language of reporting | en |
| Reporting reference date | 20 February 2023 |
| Currency used for reporting | USD |
| Accounting standards | Local GAAP |
| Method of Calculation of the SCR | Partial internal model |
| Matching adjustment | No use of matching adjustment |
| Volatility adjustment | No use of volatility adjustment |
| Transitional measure on the risk-free interest rate | No use of transitional measure on the risk-free interest rate |
| Transitional measure on technical provisions | No use of transitional measure on technical provisions |

## List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
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.25.02.21 - Solvency Capital Requirement - for undertakings using the standard formula and partial internal model
S.25.02.21 - Solvency Capital Requirement - for undertakings using the standard formula and partial internal model
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

**S.02.01.02**

## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Assets** | C0010 |
| R0030 | Intangible assets | |
| R0040 | Deferred tax assets | |
| R0050 | Pension benefit surplus | |
| R0060 | Property, plant & equipment held for own use | 0 |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 410,122 |
| R0080 | *Property (other than for own use)* | 0 |
| R0090 | *Holdings in related undertakings, including participations* | 358,359 |
| R0100 | *Equities* | 0 |
| R0110 | *Equities - listed* | |
| R0120 | *Equities - unlisted* | |
| R0130 | *Bonds* | 41,061 |
| R0140 | *Government Bonds* | 41,061 |
| R0150 | *Corporate Bonds* | 0 |
| R0160 | *Structured notes* | 0 |
| R0170 | *Collateralised securities* | 0 |
| R0180 | *Collective Investments Undertakings* | 10,702 |
| R0190 | *Derivatives* | |
| R0200 | *Deposits other than cash equivalents* | 0 |
| R0210 | *Other investments* | 0 |
| R0220 | Assets held for index-linked and unit-linked contracts | |
| R0230 | Loans and mortgages | 0 |
| R0240 | *Loans on policies* | 0 |
| R0250 | *Loans and mortgages to individuals* | |
| R0260 | *Other loans and mortgages* | |
| R0270 | Reinsurance recoverables from: | 1,180,244 |
| R0280 | *Non-life and health similar to non-life* | 1,180,244 |
| R0290 | *Non-life excluding health* | 1,180,244 |
| R0300 | *Health similar to non-life* | 0 |
| R0310 | *Life and health similar to life, excluding index-linked and unit-linked* | 0 |
| R0320 | *Health similar to life* | |
| R0330 | *Life excluding health and index-linked and unit-linked* | |
| R0340 | *Life index-linked and unit-linked* | |
| R0350 | Deposits to cedants | 0 |
| R0360 | Insurance and intermediaries receivables | 17,203 |
| R0370 | Reinsurance receivables | 11,516 |
| R0380 | Receivables (trade, not insurance) | 16,844 |
| R0390 | Own shares (held directly) | |
| R0400 | Amounts due in respect of own fund items or initial fund called up but not yet paid in | 0 |
| R0410 | Cash and cash equivalents | 60,952 |
| R0420 | Any other assets, not elsewhere shown | 206 |
| R0500 | **Total assets** | 1,697,086 |

**S.02.01.02**

## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Liabilities** | C0010 |
| R0510 | Technical provisions - non-life | 1,227,155 |
| R0520 | *Technical provisions - non-life (excluding health)* | 1,227,155 |
| R0530 | *TP calculated as a whole* | 0 |
| R0540 | *Best Estimate* | 1,205,151 |
| R0550 | *Risk margin* | 22,004 |
| R0560 | *Technical provisions - health (similar to non-life)* | 0 |
| R0570 | *TP calculated as a whole* | 0 |
| R0580 | *Best Estimate* | 0 |
| R0590 | *Risk margin* | 0 |
| 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* | |
| R0630 | *Best Estimate* | |
| R0640 | *Risk margin* | |
| R0650 | *Technical provisions - life (excluding health and index-linked and unit-linked)* | 0 |
| R0660 | *TP calculated as a whole* | |
| R0670 | *Best Estimate* | |
| R0680 | *Risk margin* | |
| R0690 | Technical provisions - index-linked and unit-linked | 0 |
| R0700 | *TP calculated as a whole* | |
| R0710 | *Best Estimate* | |
| R0720 | *Risk margin* | |
| R0740 | Contingent liabilities | 0 |
| R0750 | Provisions other than technical provisions | |
| R0760 | Pension benefit obligations | |
| R0770 | Deposits from reinsurers | |
| R0780 | Deferred tax liabilities | |
| R0790 | Derivatives | |
| R0800 | Debts owed to credit institutions | |
| R0810 | Financial liabilities other than debts owed to credit institutions | |
| R0820 | Insurance & intermediaries payables | 3,670 |
| R0830 | Reinsurance payables | 15,380 |
| R0840 | Payables (trade, not insurance) | 3,784 |
| R0850 | Subordinated liabilities | 0 |
| R0860 | *Subordinated liabilities not in BOF* | |
| R0870 | *Subordinated liabilities in BOF* | 0 |
| R0880 | Any other liabilities, not elsewhere shown | -29,997 |
| R0900 | **Total liabilities** | 1,219,992 |
| | | |
| R1000 | **Excess of assets over liabilities** | 477,094 |

**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) | Total |
|---|---|---|---|
| | | Marine, aviation and transport insurance | |
| | | C0060 | C0200 |
| | **Premiums written** | | |
| R0110 | Gross - Direct Business | 366,110 | 366,110 |
| R0120 | Gross - Proportional reinsurance accepted | 73,465 | 73,465 |
| R0130 | Gross - Non-proportional reinsurance accepted | | 0 |
| R0140 | Reinsurers' share | 354,000 | 354,000 |
| R0200 | Net | 85,574 | 85,574 |
| | **Premiums earned** | | |
| R0210 | Gross - Direct Business | 336,883 | 336,883 |
| R0220 | Gross - Proportional reinsurance accepted | 72,148 | 72,148 |
| R0230 | Gross - Non-proportional reinsurance accepted | | 0 |
| R0240 | Reinsurers' share | 330,917 | 330,917 |
| R0300 | Net | 78,114 | 78,114 |
| | **Claims incurred** | | |
| R0310 | Gross - Direct Business | 361,676 | 361,676 |
| R0320 | Gross - Proportional reinsurance accepted | 30,121 | 30,121 |
| R0330 | Gross - Non-proportional reinsurance accepted | | 0 |
| R0340 | Reinsurers' share | 375,182 | 375,182 |
| R0400 | Net | 16,615 | 16,615 |
| | **Changes in other technical provisions** | | |
| R0410 | Gross - Direct Business | | 0 |
| R0420 | Gross - Proportional reinsurance accepted | | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | | 0 |
| R0440 | Reinsurers' share | | 0 |
| R0500 | Net | 0 | 0 |
| R0550 | **Expenses incurred** | 66,523 | 66,523 |
| R1200 | **Other expenses** | | 5,048 |
| R1300 | **Total expenses** | | 71,571 |

**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 | | | US | GR | JP | CN | CH | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | **Premiums written** | | | | | | | |
| R0110 | Gross - Direct Business | 16,800 | 63,758 | 119,125 | 44,315 | 34,760 | 6,293 | 285,050 |
| R0120 | Gross - Proportional reinsurance accepted | 873 | 14,987 | 9,959 | 1,322 | 5,726 | 20,320 | 53,188 |
| R0130 | Gross - Non-proportional reinsurance accepted | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0140 | Reinsurers' share | 14,233 | 63,415 | 103,954 | 36,752 | 32,604 | 21,432 | 272,391 |
| R0200 | Net | 3,441 | 15,330 | 25,129 | 8,884 | 7,882 | 5,181 | 65,846 |
| | **Premiums earned** | | | | | | | |
| R0210 | Gross - Direct Business | 15,459 | 58,668 | 109,615 | 40,777 | 31,985 | 5,791 | 262,294 |
| R0220 | Gross - Proportional reinsurance accepted | 858 | 14,718 | 9,781 | 1,298 | 5,624 | 19,956 | 52,235 |
| R0230 | Gross - Non-proportional reinsurance accepted | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0240 | Reinsurers' share | 13,200 | 59,371 | 96,594 | 34,040 | 30,426 | 20,830 | 254,462 |
| R0300 | Net | 3,116 | 14,015 | 22,801 | 8,035 | 7,182 | 4,917 | 60,066 |
| | **Claims incurred** | | | | | | | |
| R0310 | Gross - Direct Business | 6,927 | 102,743 | 49,921 | 29,438 | 14,980 | 5,263 | 209,271 |
| R0320 | Gross - Proportional reinsurance accepted | 372 | 10,752 | 1,270 | 344 | 0 | 8,276 | 21,014 |
| R0330 | Gross - Non-proportional reinsurance accepted | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0340 | Reinsurers' share | 6,989 | 108,682 | 49,020 | 28,519 | 14,344 | 12,965 | 220,519 |
| R0400 | Net | 310 | 4,813 | 2,171 | 1,263 | 635 | 574 | 9,766 |
| | **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** | 2,675 | 11,917 | 19,535 | 6,906 | 6,127 | 4,028 | 51,187 |
| R1200 | **Other expenses** | | | | | | | 3,930 |
| R1300 | **Total expenses** | | | | | | | 55,117 |

**S.17.01.02**

## Non-Life Technical Provisions

| | | Direct business and accepted proportional reinsurance | |
|---|---|---|---|
| | | Marine, aviation and transport insurance | Total Non-Life obligation |
| | | C0070 | C0180 |
| R0010 | **Technical provisions calculated as a whole** | 0 | 0 |
| R0050 | Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | | 0 |
| | **Technical provisions calculated as a sum of BE and RM** | | |
| | **Best estimate** | | |
| | **Premium provisions** | | |
| R0060 | Gross | 3,575 | 3,575 |
| R0140 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | 28,145 | 28,145 |
| R0150 | **Net Best Estimate of Premium Provisions** | -24,569 | -24,569 |
| | **Claims provisions** | | |
| R0160 | Gross | 1,201,576 | 1,201,576 |
| R0240 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | 1,152,099 | 1,152,099 |
| R0250 | **Net Best Estimate of Claims Provisions** | 49,476 | 49,476 |
| R0260 | **Total best estimate - gross** | 1,205,151 | 1,205,151 |
| R0270 | **Total best estimate - net** | 24,907 | 24,907 |
| R0280 | **Risk margin** | 22,004 | 22,004 |
| | **Amount of the transitional on Technical Provisions** | | |
| R0290 | Technical Provisions calculated as a whole | | 0 |
| R0300 | Best estimate | | 0 |
| R0310 | Risk margin | | 0 |
| R0320 | **Technical provisions - total** | 1,227,155 | 1,227,155 |
| R0330 | **Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total** | 1,180,244 | 1,180,244 |
| R0340 | **Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total** | 46,911 | 46,911 |

**S.19.01.21**

**Non-Life insurance claims**

**Total Non-life business**

| | | |
|---|---|---|
| Z0020 | **Accident year / underwriting year** | Accident 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 | | | | | | | | | | | 10,999 | 10,999 | 10,999 |
| R0160 | 2014 | 53,495 | 96,301 | 69,396 | 30,495 | 51,171 | 15,362 | 14,412 | 6,511 | 2,095 | 2,132 | | 2,132 | 341,369 |
| R0170 | 2015 | 50,993 | 57,445 | 29,617 | 16,905 | 13,700 | 18,451 | 5,866 | 5,007 | 3,141 | | | 3,141 | 201,126 |
| R0180 | 2016 | 27,886 | 56,481 | 38,859 | 27,535 | 19,916 | 21,107 | 6,763 | 4,701 | | | | 4,701 | 203,249 |
| R0190 | 2017 | 45,546 | 44,282 | 47,179 | 28,893 | 22,082 | 14,360 | 21,555 | | | | | 21,555 | 223,897 |
| R0200 | 2018 | 52,409 | 59,520 | 48,978 | 23,107 | 23,543 | 27,794 | | | | | | 27,794 | 235,350 |
| R0210 | 2019 | 37,642 | 68,126 | 52,590 | 26,229 | 18,115 | | | | | | | 18,115 | 202,701 |
| R0220 | 2020 | 48,591 | 51,228 | 27,219 | 46,740 | | | | | | | | 46,740 | 173,779 |
| R0230 | 2021 | 75,523 | 45,756 | 39,671 | | | | | | | | | 39,671 | 160,950 |
| R0240 | 2022 | 80,244 | 55,241 | | | | | | | | | | 55,241 | 135,484 |
| R0250 | 2023 | 25,494 | | | | | | | | | | | 25,494 | 25,494 |
| R0260 | | | | | | | | | | | | **Total** | 255,582 | 1,914,398 |

**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 | | | | | | | | | | | 105,012 | 93,547 |
| R0160 | 2014 | 0 | 0 | 0 | 102,138 | 74,721 | 46,368 | 34,876 | 20,414 | 13,176 | 9,907 | | 8,567 |
| R0170 | 2015 | 0 | 0 | 84,253 | 61,251 | 48,317 | 25,992 | 17,872 | 8,980 | 4,998 | | | 4,400 |
| R0180 | 2016 | 0 | 208,625 | 165,635 | 125,302 | 87,550 | 66,617 | 55,263 | 31,030 | | | | 27,346 |
| R0190 | 2017 | 159,016 | 174,181 | 101,915 | 66,172 | 48,461 | 29,367 | 15,590 | | | | | 13,917 |
| R0200 | 2018 | 205,048 | 197,781 | 184,615 | 178,719 | 138,038 | 141,233 | | | | | | 123,633 |
| R0210 | 2019 | 275,167 | 183,870 | 120,693 | 78,771 | 69,607 | | | | | | | 62,143 |
| R0220 | 2020 | 192,031 | 371,793 | 306,341 | 284,918 | | | | | | | | 253,042 |
| R0230 | 2021 | 195,789 | 313,520 | 363,932 | | | | | | | | | 326,404 |
| R0240 | 2022 | 195,789 | 209,031 | | | | | | | | | | 189,148 |
| R0250 | 2023 | 114,398 | | | | | | | | | | | 99,426 |
| R0260 | | | | | | | | | | | | **Total** | 1,201,576 |

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) | 0 | 0 | | 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 | 477,094 | 477,094 | | | |
| R0140 | Subordinated liabilities | 0 | | 0 | 0 | 0 |
| R0160 | An amount equal to the value of net deferred tax assets | 0 | | | | 0 |
| R0180 | Other own fund items approved by the supervisory authority as basic own funds not specified above | 0 | 0 | 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** | 477,094 | 477,094 | 0 | 0 | 0 |
| | **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 | 128,483 | | | 128,483 | |
| 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** | 128,483 | | | 128,483 | 0 |
| | **Available and eligible own funds** | | | | | |
| R0500 | Total available own funds to meet the SCR | 605,576 | 477,094 | 0 | 128,483 | 0 |
| R0510 | Total available own funds to meet the MCR | 477,094 | 477,094 | 0 | 0 | |
| R0540 | Total eligible own funds to meet the SCR | 605,576 | 477,094 | 0 | 128,483 | 0 |
| R0550 | Total eligible own funds to meet the MCR | 477,094 | 477,094 | 0 | 0 | |
| R0580 | **SCR** | 256,965 | | | | |
| R0600 | **MCR** | 64,241 | | | | |
| R0620 | **Ratio of Eligible own funds to SCR** | 235.66% | | | | |
| R0640 | **Ratio of Eligible own funds to MCR** | 742.66% | | | | |

| | **Reconcilliation reserve** | C0060 |
|---|---|---|
| R0700 | Excess of assets over liabilities | 477,094 |
| R0710 | Own shares (held directly and indirectly) | 0 |
| R0720 | Foreseeable dividends, distributions and charges | |
| R0730 | Other basic own fund items | 0 |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | 0 |
| R0760 | **Reconciliation reserve** | 477,094 |
| | **Expected profits** | |
| R0770 | Expected profits included in future premiums (EPIFP) - Life business | |
| R0780 | Expected profits included in future premiums (EPIFP) - Non- life business | -3,575 |
| R0790 | **Total Expected profits included in future premiums (EPIFP)** | -3,575 |

**S.25.02.21**

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

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

| | Unique number of component | Component description | Calculation of the Solvency Capital Requirement | Amount modelled | USP | Simplifications |
|---|---|---|---|---|---|---|
| Row | C0010 | C0020 | C0030 | C0070 | C0090 | C0120 |
| 1 | 1 | Market Risk | 168,144 | | 9 | |
| 2 | 2 | Counterparty Default Risk | 100,007 | | 9 | |
| 3 | 5 | Non-Life Underwriting Risk | 10,659 | 10,659 | 9 | |
| 4 | 7 | Operational Risk | 36,155 | | 9 | |

**S.25.02.21**

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

| | | |
|---|---|---|
| | **Calculation of Solvency Capital Requirement** | C0100 |
| R0110 | Total undiversified components | 314,964 |
| R0060 | Diversification | -57,999 |
| R0160 | Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | |
| R0200 | **Solvency capital requirement excluding capital add-on** | 256,965 |
| R0210 | Capital add-ons already set | |
| R0220 | **Solvency capital requirement** | 256,965 |
| | **Other information on SCR** | |
| R0300 | Amount/estimate of the overall loss-absorbing capacity of technical provisions | |
| R0310 | Amount/estimate of the overall loss-absorbing capacity ot deferred taxes | |
| R0400 | Capital requirement for duration-based equity risk sub-module | |
| R0410 | Total amount of Notional Solvency Capital Requirements for remaining part | |
| R0420 | Total amount of Notional Solvency Capital Requirement for ring fenced funds | |
| R0430 | Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios | |
| R0440 | Diversification effects due to RFF nSCR aggregation for article 304 | |

| | | |
|---|---|---|
| | **Approach to tax rate** | C0109 |
| R0590 | Approach based on average tax rate | |

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

S.28.01.01

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

**Linear formula component for non-life insurance and reinsurance obligations**

| | | C0010 |
|---|---|---|
| R0010 | $MCR_{NL}$ Result | 14,546 |

| | | 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 | |
| R0030 | Income protection insurance and proportional reinsurance | 0 | |
| R0040 | Workers' compensation insurance and proportional reinsurance | 0 | |
| R0050 | Motor vehicle liability insurance and proportional reinsurance | 0 | |
| R0060 | Other motor insurance and proportional reinsurance | 0 | |
| R0070 | Marine, aviation and transport insurance and proportional reinsurance | 24,907 | 85,574 |
| R0080 | Fire and other damage to property insurance and proportional reinsurance | 0 | |
| R0090 | General liability insurance and proportional reinsurance | 0 | |
| R0100 | Credit and suretyship insurance and proportional reinsurance | 0 | |
| R0110 | Legal expenses insurance and proportional reinsurance | 0 | |
| R0120 | Assistance and proportional reinsurance | 0 | |
| R0130 | Miscellaneous financial loss insurance and proportional reinsurance | 0 | |
| R0140 | Non-proportional health reinsurance | 0 | |
| R0150 | Non-proportional casualty reinsurance | 0 | |
| R0160 | Non-proportional marine, aviation and transport reinsurance | 0 | |
| R0170 | Non-proportional property reinsurance | 0 | |

**Linear formula component for life insurance and reinsurance obligations**

| | | C0040 |
|---|---|---|
| R0200 | $MCR_L$ Result | 0 |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
|---|---|---|---|
| | | C0050 | C0060 |
| R0210 | Obligations with profit participation - guaranteed benefits | | |
| R0220 | Obligations with profit participation - future discretionary benefits | | |
| R0230 | Index-linked and unit-linked insurance obligations | | |
| R0240 | Other life (re)insurance and health (re)insurance obligations | | |
| R0250 | Total capital at risk for all life (re)insurance obligations | | |

**Overall MCR calculation**

| | | C0070 |
|---|---|---|
| R0300 | Linear MCR | 14,546 |
| R0310 | SCR | 256,965 |
| R0320 | MCR cap | 115,634 |
| R0330 | MCR floor | 64,241 |
| R0340 | Combined MCR | 64,241 |
| R0350 | Absolute floor of the MCR | 3,966 |
| R0400 | **Minimum Capital Requirement** | 64,241 |