Accredited Insurance (Europe) Limited

Solvency and Financial Condition Report

Year ended 31 December 2023

Contents

Introduction

This Solvency and Financial Condition Report has been prepared for Accredited Insurance (Europe) Limited ("the Company" or "AIEL"), in order to satisfy the requirements of Article 290 of the Commission Delegated Regulation 2015/35 ("Commission DR"). It refers to the financial year ended on 31 December 2023 ("the reference date"). The Company formed part of the R&Q Insurance Holdings Ltd. Group ("the Group" or "R&Q") up to 28 June 2024, and specifically within the 'Accredited' program management business of the Group, with holding company Randall & Quilter America Holding Inc. On 28 June 2024, 100% of the equity interest in Accredited, including the Company, was sold to Onex Corporation.

The Summary below is based on the statutory annual report and financial statements prepared under International Financial Reporting Standards and aligns to the contents of the Directors' Report included within the Company's annual report. Apart from the Summary and unless otherwise stated, the contents of this report are based on the annual quantitative reporting templates that are disclosed in Appendix 1, prepared in line with Solvency II regulatory requirements.

The implementation of the new accounting standard *IFRS 17 – Insurance Contracts*, that came into force on 1 January 2023, and on which the annual report and financial statements are based, entails that the underlying assumptions used to arrive at those results, as disclosed within the Summary, will differ materially from the basis on which the quantitative reporting templates, and hence the rest of this report, have been prepared.

The tables in this report present rounded figures which may result in rounding variances on a total basis.

Summary

The Company, through its licence to write all non-life classes of business in the United Kingdom ('UK') and in all European Union ('EU') member states, is a specialist capacity provider for European program management business. It also provides legacy solutions by purchasing or reinsuring portfolios/companies whose business would have been placed in run-off.

During 2023, the Company achieved significant growth in the program segment, concluding a number of new agreements and extending existing agreements with Managing General Agents ('MGAs'), as well as concluding an insurance business transfer in the legacy segment.

Program Business

New and renewed MGA arrangements continued to expand the Company's program operations across a number of different product lines which include motor, surety, property, liability, professional indemnity, cyber, financial lines, title and after-the-event ('ATE') business, written in the UK and EU member states. The Company takes a prudent approach and reinsures this book of business extensively through the use of Quota Share, Excess of Loss and Stop Loss reinsurance, mainly with reinsurers that do not fall below the A- rating provided by A.M. Best, or equivalent ratings from other reputable credit rating agencies.

During 2022, the Company onboarded two super MGAs, which are defined as MGAs that are expected to generate ca. £100 million of premium income annually. These super MGAs contributed to £250.8m of the total insurance revenue for the year. These operate as market leaders mainly in the motor and property classes of business and are expected to continue to drive future growth, allowing the Company to achieve a degree of focus in its operations, without jeopardizing the level of diversification of its portfolio. The Company also concluded multi-year arrangements with well performing MGAs, further strengthening the relationship with those MGAs and securing longer-term future income streams. In 2023, four new MGAs were onboarded and the absolute majority of expiring binding agreements with existing MGAs were renewed.

Up until 13 November 2023, the Company continued to operate in the UK through a Branch on a Freedom of Establishment basis, under the Prudential Regulation Authority's ('PRA') Temporary Permissions Regime ('TPR') through a "deemed Part 4A permission". As from 13 November 2023, the UK Branch has been authorised by the PRA and the Financial Conduct Authority ('FCA') to underwrite, in the UK, the full range of classes for which the Company is authorised by the Malta Financial Services Authority ('MFSA').

The Company also operates an Italian Branch with the intention of expanding its program management footprint in Italy.

Legacy Business

In 2021, the United Kingdom Mutual Steam Ship Assurance Association Limited's transferred a portfolio of UK occupational diseases liabilities to R&Q Gamma Company Limited, a related party forming part of the R&Q Group. In 2023, the European Economic Area ('EEA') risks of the portfolio were transferred to the Company by way of a Dutch insurance business transfer, resulting in a contractual service margin ('CSM') of £2.3m.

In 2023, Company entered into a 100% quota share retrocession agreement with R&Q Re (Cayman) Ltd., with respect to an adverse development reinsurance coverage that the Company provides under a legacy deal concluded in 2022. The reserves on the inwards contract deteriorated significantly during the year, resulting in a loss on the insurance service result of £23.3m. Conversely, the reinsurance agreement generated an income of £23.0m on the reinsurance service result. This arrangement was commuted in 2024 as part of the Accredited sale process as detailed within this report.

The net underwriting loss on legacy business amounted to £10.2m (2022: £12.0m), mainly impacted by negative reserve developments on various portfolios.

Result for the year

Total insurance revenue generated during the year increased from £413.6m in 2022 to £771.4m in 2023. Program business generated revenues of £766.5m (2022: £409.0m) with the remaining revenue of £4.9m (2022: £4.6m) being generated from legacy business. Insurance service expense increased to £650.6m (2022: £377.5m) split between £614.4m (2022: £361.7m) for program business and £36.2m (2022: £15.7m) for legacy business.

In line with the Company's prudent risk strategy, expenses from reinsurance contracts also increased significantly when compared to prior year, from £33.0m to £103.2m. Program business resulted in reinsurance expenses of £124.3m (2022: £32.1m) whilst the legacy business reinsurance result amounted to an income of £20.8m (2022: expense of £0.9m) due to the intra-group reinsurance coverage entered into in 2023 as already mentioned above.

Total finance result, comprising of changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, amounted to a loss of £1.3m in 2023 (2022: £11.3m). The significant finance loss in 2022 stems mainly from the program segment and results from the yield curve shocks that occurred during the year. The main reason for the negative impact of the yield curves shock stems from the contract boundary mismatches between the inwards contracts and the outwards contracts on certain binders. The contract boundary rules under IFRS 17 give rise to potential sources of mismatches when measuring gross business and the related reinsurance contracts held. On the gross side, the Company only recognizes contracts as and when it actually writes this business. On the reinsurance contracts held however, the Company is required to recognize all the cash flows it expects within the boundary, including reinsurance cash flows related to gross business already written as well as cash flows related to future gross business that has not yet been written. As a result, the upward shocks in the yield curve caused a negative impact on the cash flows arising from the insurance contracts held that significantly outweighed the positive impact on the cash flows arising from insurance contracts.

Due to improved conditions in global capital markets, the Company incurred a net investment gain for the year of £14.6m (2022: loss of £10.0m). This result is mainly attributed to unrealised fair value gains on debt securities and other equity investments of £7.2m (2022: unrealised fair value losses of £13.1m) for the year, interest and dividend income of £6.1m (2022: £2.8m) on those same debt securities, and interest income on group loans of £1.7m (2022: £0.8m), compensated by realised fair value losses of £0.8m (2022: £1.2m).

Administrative expenses increased to £25.1m in 2023 from £21.6m in the previous year driven by the growth in program business, as well as increases in cost recharges from entities under common control and other external consultancy and system implementation costs as a result of the aforementioned projects.

In 2023, the Company went through the latter stages of a period of significant operational change, driven by a number of different overarching projects, aimed at automating and radically improving the Company's core operational systems and streamlining business processes across the R&Q Group, in order to achieve a wide array of efficiencies to the Company's main workstreams. The Company also underwent significant reporting and operational changes that resulted from the implementation of the new accounting standard *IFRS 17 – Insurance Contracts*, that came into force on 1 January 2023. As anticipated, these separate yet interlinked projects as well as the continued investment in growing the program business, has significantly increased the Company's cost base. The Company's relatively high-cost base, coupled with the negative impacts brought about by the introduction of *IFRS 17 – Insurance Contracts*, resulted in a break-even position for the year under review, despite a promising and improving technical result.

The Company registered a decreased loss before tax of £1.7m (2022: £37.1m) for the year under consideration, driven mainly by the significant increase in the technical result and the positive investment result. The profit for the year after tax amounted to £0.3m (2022: loss after tax of £25.0m).

The Company maintains a sound capital position. The Company monitors its capital level on a regular basis and further strengthened its capital base in 2023 through a shareholder contribution of £5.0m (2022: £1.5m). At the reference date, the regulatory Solvency Capital Requirement increased to £78.7m (2022: £69.7m) driven by the growth in program business. The eligible own funds available to cover this requirement increased to £108.8m (2022: £101.6m). These own funds consist of £75.6m Tier 1 unrestricted funds, £21.6m Tier 2 funds and £11.6m Tier 3 funds. Hence, the ratio of eligible own funds to SCR at the reference date was 138% (2022: 146%). The available own funds to cover the SCR stand at 138% (2022: 146%). The Minimum Capital Requirement was £19.7m, all of which is covered by eligible Tier 1 own funds. In 2023, the assumptions and methodology underlying the calculation of the eligible own funds and the SCR did not change significantly.

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

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

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

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

Sale of Accredited

On 4 April 2023, R&Q announced that it was undertaking a strategic initiative to separate its legacy insurance business, R&Q Legacy, from its program management business, Accredited (which includes the Company, Accredited Specialty Insurance Company US, Accredited Surety and Casualty Company, Inc. US). On 20 October 2023, R&Q announced that it had entered into a conditional agreement with funds advised by Onex Corporation ("Onex") to sell 100 per cent of the equity interest in Randall & Quilter America Holdings Inc., the holding company of Accredited, for a purchase price of $465 million, which represented an expected equity value of approximately $438 million when adjusted for Accredited's existing debt commitments. Additionally, a portion of the anticipated closing purchase price was allocated to indemnify the outstanding amount of the Company's intercompany loan owed by R&Q plus any unpaid interest.

Alongside the sale process, the legal reorganisation was completed in June 2023. On completion of the legal reorganisation, AM Best recognised Accredited as having an independent rating unit with a financial strength rating of ‘A-’ (Excellent).

On 13 June 2024, R&Q announced that Onex provided an alternative transaction structure to that of the original Sale (the "Alternative Proposal") that could be implemented in the event that the closing conditions to the original Sale were not able to be satisfied, and on 19 June 2024, the R&Q concluded that the Alternative Proposal represented the best option to secure value and to ensure the completion of the Accredited sale.

On 21 June 2024, the ultimate parent company, R&Q Insurance Holdings Ltd, filed for provisional liquidation in Bermuda and implemented the sale of Accredited to Onex through that process. On 28 June 2024, 100% of the equity interest in Accredited, including the Company, was sold to Onex, for a cash consideration of $420 million.

Under a transition services agreement between R&Q and Accredited, each party will provide transitional services to the other party for limited periods of up to 12 months following the closing, with a commitment to provide those services generally at the same level of service with which they were provided before closing.

In terms of legacy business, the conditions of the Accredited sale provide that any future adverse development on the existing portfolio of legacy business will be fully reinsured by an A-rated third-party reinsurer. This was achieved on 28 June 2024 as part of the Accredited sale process, whereby an arrangement with a subsidiary of Enstar Group Limited (“Enstar”) to provide reinsurance cover on all Accredited’s net legacy reserves, with all administrative duties and claims handling also transferring to Enstar.

The €5 million floating rate subordinated notes due 5 July 2027 and €20 million floating rate subordinated notes due 5 October 2025 due by the Company will remain outstanding in accordance with their terms.

On 28 June 2024, a capital contribution of $165.10m was made into the Company in order to strengthen its capital base after taking into account the effect of other contracts and conditions that were an integral part of the Accredited sale.

On 1 July 2024, AM Best confirmed that the financial strength rating of the Accredited companies remained unchanged at ‘A-’ (Excellent) following the acquisition by Onex.

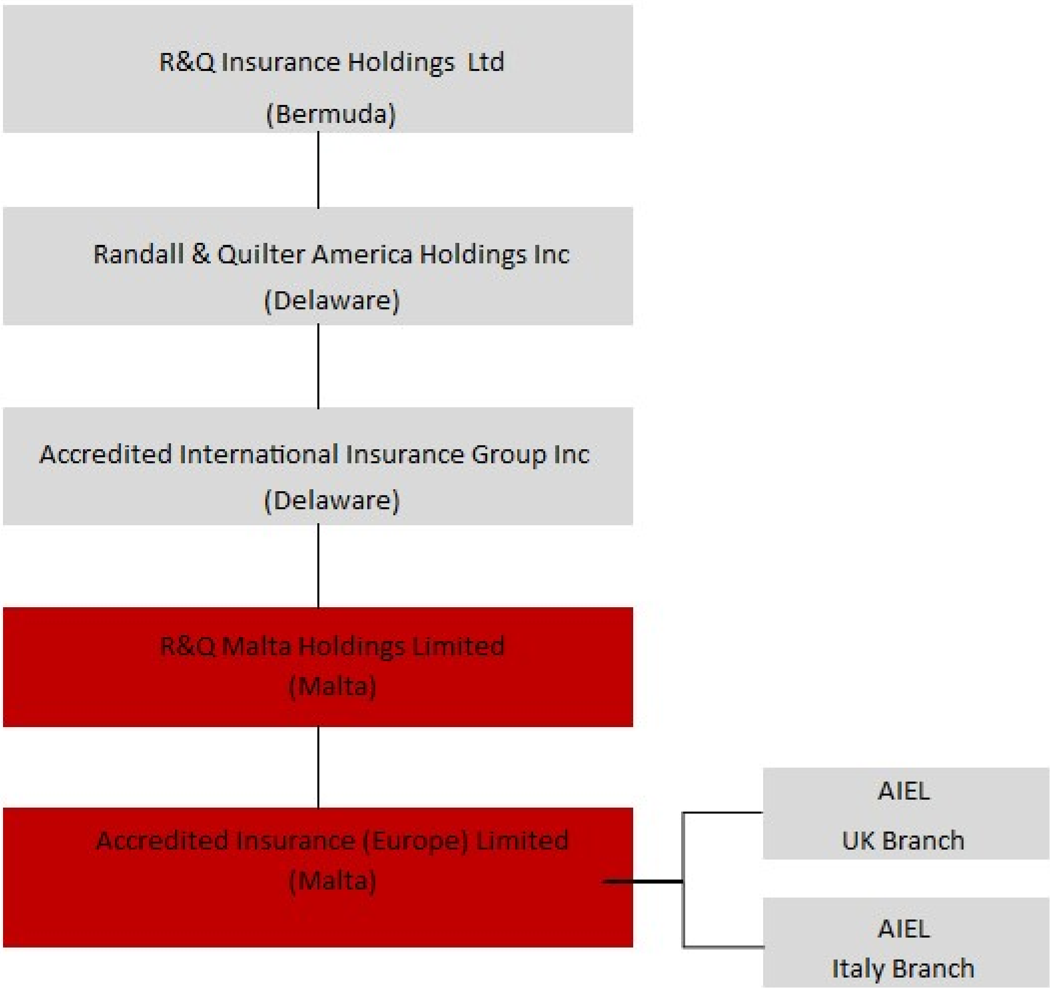
A. Business and Performance

A1. Business

<table>
<tr><td>Name and Legal Form</td><td colspan="3">Accredited Insurance (Europe) Limited</td></tr>
<tr><td>National Supervisory Authority</td><td colspan="3">Malta Financial Services Authority
Ray Schembri
Director – Insurance and Pensions Supervisory Unit
Triq l-Imdina, Zone 1
Central Business District, Birkirkara, Malta
CBD 1010</td></tr>
<tr><td>Group National Supervisory Authority</td><td colspan="3">Bermuda Monetary Authority
Trudy Trott
BMA House, 43 Victoria Street, Hamilton, Bermuda</td></tr>
<tr><td>Third Country Branch (UK)</td><td colspan="3">Accredited Insurance (Europe) Limited – UK Branch
71 Fenchurch Street
London
EC3M 4BS</td></tr>
<tr><td>Branch operating under the EEA freedom of establishment basis</td><td colspan="3">Accredited Insurance (Europe) Limited – Italy Branch
Via della Moscova n.3
Milano (MI)</td></tr>
<tr><td>External Auditors</td><td colspan="3">PKF Assurance (Malta) Limited
Donna Greaves (Audit Partner)
35, Mannarino Road, Birkirkara, BKR9080, Malta</td></tr>
<tr><td>Qualifying holdings of the undertaking</td><td colspan="3">99.99% - R&Q Malta Holdings Limited</td></tr>
<tr><td>Ultimate Parent Undertaking</td><td colspan="3">R&Q Insurance Holdings Ltd – Bermuda (up to 28 June 2024)</td></tr>
<tr><td rowspan="4">Qualifying Shareholders (as at 8 February 2024)</td><td>Name</td><td>No. of Ordinary Shares</td><td>%</td></tr>
<tr><td>Brickell PC insurance Holdings LLC</td><td>47,604,083</td><td>12.74</td></tr>
<tr><td>Slater Investments</td><td>43,804,895</td><td>11.73</td></tr>
<tr><td>Gresham House Asset Management Ltd</td><td>42,342,411</td><td>11.34</td></tr>
<tr><td rowspan="2">Authorised Classes of Business</td><td colspan="3">The Company is licenced to write the following classes of business on a direct and reinsurance basis</td></tr>
<tr><td colspan="2">Class 1 – Accident
Class 2 – Sickness
Class 3 – Land Vehicles
Class 4 – Railway Rolling Stock
Class 5 – Aircraft
Class 6 – Ships
Class 7 – Goods in Transit</td><td>Class 10 – Motor vehicle liability
Class 11 – Aircraft Liability
Class 12 – Liability for Ships
Class 13 – General Liability
Class 14 – Credit
Class 15 – Suretyship</td></tr>
</table>

	Class 8 – Fire & Natural Forces Class 9 – Other Damage to Property	Class 16 – Miscellaneous Financial Loss Class 17 – Legal expenses Class 18 - Assistance

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



On 22 March 2023, R&Q Eta Company Limited, of which the Company owned the entire issued share capital through a previous legacy acquisition, was granted approval by the PRA to cancel its Part 4A permission, effectively withdrawing R&Q Eta Company Limited's status as an authorised person. As part of the process to liquidate R&Q Eta Company Limited, the Company received a final dividend of £6.2m during the year, which wrote down the value of the investment in the subsidiary.

As noted within the report, following the Accredited sale on 28 June 2024, Onex Corporation replaced R&Q Insurance Holdings Ltd as the ultimate parent company of the Company.

A2. Underwriting Performance

The following are the highlights for the year, using the basis on which the quantitative reporting templates are presented, as explained in the Introduction.

Program Business

A technical profit of £22.44m (2022: £14.69m) before allocation of net investment income was registered during 2023 on this segment. Highlights for 2023 are as follows:

- The technical profit is driven by the increase in earned over-rider commission (fronting fees) from £18.71m in 2022 to £26.91m in 2023 in line with the growth in written and earned premium.
- The earned overrider commission was partly offset by a net underwriting loss on the retained portion of business of £4.51m (2022: net underwriting income of £2.82m) as a result of a net combined ratio of 108%, driven by the increased cost of non-proportional reinsurance purchased to protect the balance sheet from large losses as well as inflationary pressures on the cost of claims.
- The Company onboarded four new MGAs during the year which have contributed to 4% of the program gross written premium for the year. Together with the programs entered into in prior years, the program business generated gross written premium of £880.18m (2022: £595.67m), of which 88% (2022: 78%) is written in the United Kingdom, 5% (2022: 7%) is written in the Republic of Ireland, and the remainder in other EU countries. This business is substantially reinsured with £798.71m (2022: £536.03m) ceded to quota share reinsurers and £12.96m (2022: £6.71m) ceded under excess of loss treaties on the Company's net retained portion of business.
- In line with prior years, motor business constitutes the largest line of business for 2023 at 44% (2022: 43%) of gross written premiums in the program segment. Diversification across other written lines of business has once again been achieved, with property classes accounting for 37% of premiums written, and financial lines and other general liability classes another 16% of overall premiums written.
- By year end 2023, 16 of the active "program" portfolios were written through the UK Branch office. As of 2023, one program has been written through the Italy branch. The remaining 14 programs are being written directly via the head office in Malta.

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

Legacy Business

A technical loss of £7.4m before allocation of net investment income was registered during 2023 on this segment (2022: technical profit of £7.7m). Salient points for 2023 are as follows:

- One new portfolio transfer was completed, relating to the transfer of the European Economic Area ('EEA') risks of the United Kingdom Mutual Steam Ship Assurance Association Limited's occupational diseases liabilities portfolio to the Company by way of a Dutch insurance business transfer. The transfer resulted in gross reserves of £1.7m at 31 December 2023, and a day one reinsurance premium of £2.2m. When also including claims payments since the transfer, claims incurred for the year amounted to £2.1m.
- The Company agreed in 2022 to provide Adverse Development Cover ("ADC") to an Australian insurance company. This exposure is in turn fully covered by a reinsurance arrangement provided by R&Q Re (Cayman) Ltd. The reserves on the inwards contract deteriorated significantly during 2023 with reserves reaching the limit of AUD 80.0m (£42.8m) (2022: AUD 22.9m (£12.9m)) reported at 31 December 2023. Due to the 100% quota share reinsurance placement, there was no material impact on the net technical result.
- Reserves for claims which are incurred but not reported are established based on an actuarial valuation that takes into consideration a number of factors including industry trends, current legal environment and geographical considerations. During 2023, following an actuarial valuation, the Company's strengthened its total net technical reserves on portfolios taken over in prior years by £6.8m.
- Claims handling expenses and amortisation of intangible assets contributed a further £0.7m to the technical loss for the year in this segment.

As disclosed within this report under the Accredited sale section, the remaining net reserves of the existing portfolio of legacy business will be fully reinsured by an A-rated third-party reinsurer in 2024. The Company will not be exposed to claims and reserving risk but to the low credit risk that will arise from the exposure to the reinsurer.

Total Business

Overall, the Company reported a technical profit of £20.44m (2022: £19.55m) (after an allocation of £5.39m in investment income) for the year which is summarised below by material line of business including the comparative analysis for 2022.

Year ended 31 December 2023:	WC	GL	Motor	Property	CS	LE	Other	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	**£'000s**
Earned premiums, net of reinsurance	2,202	7,159	26,920	23,575	1,589	76	29	61,550
Acquisition costs, net of reinsurance	0	(1,731)	(2,088)	(11,097)	(479)	1,016	(5)	(14,385)
Claims incurred, net of reinsurance	(3,414)	(7,670)	(28,284)	(13,897)	(998)	(140)	273	(54,131)
Net Underwriting Result	(1,212)	(2,243)	(3,453)	(1,419)	111	952	298	(6,965)
Other technical income	0	6,259	9,806	9,961	674	337	(54)	26,982
Claims Handling Cost and other technical expenses	0	(433)	(3,178)	(1,889)	(47)	(33)	616	(4,965)
	(1,212)	3,584	3,175	6,653	738	1,256	859	15,052
Allocated investment income	(49)	997	2,730	575	155	31	948	5,387
Net Technical Result	**(1,261)**	**4,581**	**5,905**	**7,228**	**893**	**1,287**	**1,807**	**20,438**

Year ended 31 December 2022:	WC	GL	Motor	Property	CS	CA	Other	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	**£'000s**
Earned premiums, net of reinsurance	11,246	9,581	26,040	7,866	1,380	4,101	163	60,377
Acquisition costs, net of reinsurance	122	(2,100)	(8,638)	2,338	(431)	(1,070)	(114)	(9,894)
Claims incurred, net of reinsurance	(8,730)	311	(29,277)	(1,346)	(815)	390	(2,209)	(41,676)
Net Underwriting Result	2,637	7,793	(11,874)	8,858	134	3,420	(2,161)	8,807
Other technical income	(65)	4,617	4,555	9,208	477	6	1,539	20,336
Claims Handling Cost and other technical expenses	(140)	(929)	(1,064)	(1,379)	11	(196)	(3,178)	(6,875)
	2,433	11,480	(8,383)	16,687	621	3,230	(3,800)	22,268
Allocated investment income	(590)	(471)	(775)	(134)	(14)	(150)	(588)	(2,722)
Net Technical Result	**1,842**	**11,010**	**(9,158)**	**16,553**	**607**	**3,081**	**(4,389)**	**19,546**

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

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

Gross Claims Reserves

	2023	2022
	£'000s	£'000s
Casualty	44,010	18,182
General Liability	69,216	67,507
Marine, Avation, Tra	5,272	6,017
Workers Compensat	6,333	23,189
Motor	289,850	221,329
Property	87,895	34,584
Legal Expenses	3,261	2,957
Credit Surety	9,448	4,219
Misc. Fin Loss	738	3,438
Other	35,776	4,853
Total	**551,799**	386,275

Geographical Segmentation of Classes of Business

	2023	2022
Australia	**8.50%**	4.72%
Europe	**17.92%**	20.83%
Israel	**0.65%**	0.89%
New Zealand	**0.04%**	0.04%
United Kingdom	**70.04%**	69.33%
United States	**1.82%**	2.82%
Other	**1.04%**	1.38%
Total	**100.00%**	100.00%

Note: The comparative figures in this table have been amended to remove the impact of UPR previously included.

A3. Investment Performance

The Company's investment strategy covers the following:

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

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

- Limit over-concentration of assets in individual issuers.

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

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

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

	2023	2022
	£'000s	£'000s
Units in Collective Investment Schemes	**117,594**	49,100
Equities	**9,923**	15,878
Debt Securities	**147,909**	135,479
Other Investments	**1,661**	1,660
Loans to Group	**38,033**	38,064
Deposits with Banks	**7,524**	7,769
Cash at Bank	**24,985**	37,830
Total	**347,629**	285,780

Due to improved conditions in global capital markets, the Company incurred a net investment gain (including FX impact) for the year of £10.6m (2022: loss of £4.4m). This result is mainly attributed to unrealised fair value gains on debt securities and other equity investments of £7.2m (2022: unrealised fair value losses of £13.1m), interest and dividend income of £6.1m (2022: £2.8m) on those same debt securities, and interest income on group loans of £1.7m (2022: £0.8m), compensated by realised fair value losses of £0.8m (2022: £1.2m) and foreign exchanges losses of £4.0m (2022: gains of £5.7m).

The breakdown of the investment return is as follows:

	2023	2022
	£'000s	£'000s
Interest on group loans	**1,705**	848
Interest on debt securities	**5,840**	2,432
Net fair value gains/(losses) on equities and debt securities	**6,419**	(14,279)
Dividend income on equities	**290**	349
Net exchange differences	**(4,067)**	5,671
Rental income	**-**	852
Investment management fees	**(105)**	(282)
Other investment income	**495**	54
Total	**10,577**	(4,355)

The Company enjoys a steady interest income flow on funds invested in debt securities. The increase in interest income on loans to the Group is attributable mainly to a higher interest rate charged to the group companies. The Company disposed of its investment property during 2022, and hence no further rental income was earned in 2023.

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

A4. Performance of other activities

There are no further material matters to report here.

A5. Any other information

Currency exposures

As indicated within Section A2, given the global nature of the underlying business, particularly the reinsurance business, the Company carries technical reserves in the following major foreign currencies: Euro, US Dollar, Australian Dollar, Danish Kroner and Norwegian Kroner. In line with its guidelines for investing in foreign currency, the Company aims to match its currency exposure on the assets and liabilities in order to minimise currency risk exposure as far as possible. In doing so, the Company also takes into consideration currency exposure on a Solvency II Balance Sheet basis, and the Company is willing to tolerate an additional level of currency risk on an IFRS basis if that results in increased capital efficiency.

Calibration of currency exposures takes place on a quarterly basis post quarter-end and any temporary mismatches that are not a result of increased capital efficiency are adjusted post quarter-end.

	Assets in foreign currency		**Liabilities in foreign currency**		**Net Exposure**	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Currency of exposure:						
USD	**77,691**	61,137	**(60,945)**	(65,565)	**16,746**	(4,428)
EUR	**233,035**	222,754	**(215,109)**	(188,111)	**17,926**	34,643
AUD	**54,357**	23,134	**(70,827)**	(36,432)	**(16,470)**	(13,298)
CAD	**148**	170	**(307)**	(189)	**(159)**	(19)
DKK	**43**	(1,144)	**1,078**	2,300	**1,120**	1,156
NOK	**644**	1,427	**(497)**	(1,220)	**147**	207

B. System of Governance

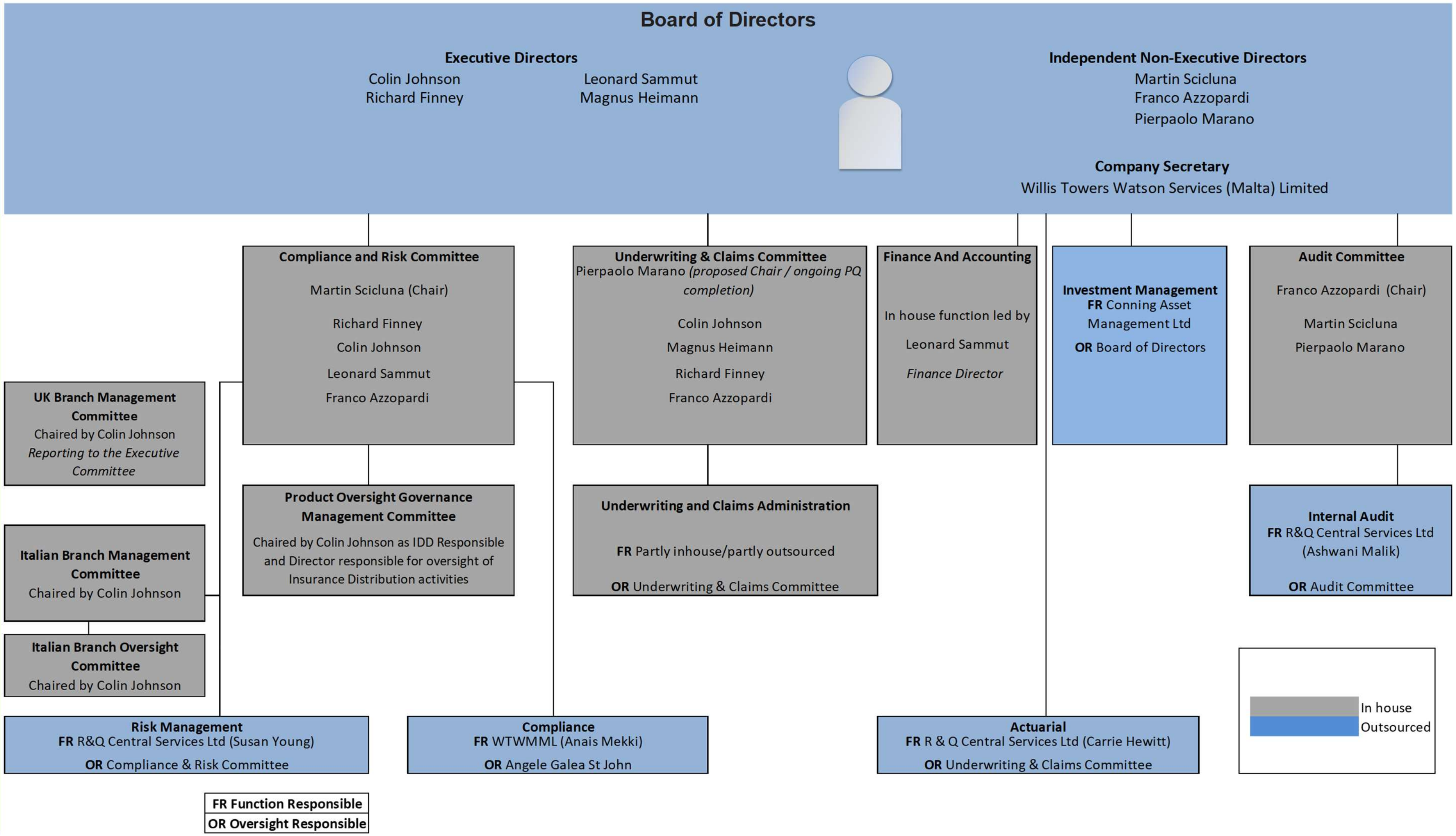
B1. General Information on the System of Governance

Structure of Administrative Management

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

The Organisation Structure of the Company as at 31st December 2023 is depicted in the following table:

Accredited Insurance (Europe) limited - Organisational Structure



The Board of Directors:

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

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

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

Risk and Compliance Committee

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

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

The following duties are set to achieve the above:

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

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

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

The Underwriting and Claims Committee

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

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

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

The Audit Committee

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

External auditor

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

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

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

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

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

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

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

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

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

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

- Evaluating the independence of the independent auditor, including whether the provision of non-audit services is compatible with maintaining the auditors independence;
- Approving or disapproving any engagement by the Company or its subsidiaries of the independent auditor to perform any non-audit services, subject to a de minimus threshold of €5,000;

Financial Internal Controls

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

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

Internal audit

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

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

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

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

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

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

Whistleblowing

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

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

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

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

General

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

Internal Control Framework

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

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

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

Risk Management Function

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

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

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

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

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

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

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

Compliance Function

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

The Compliance function is responsible for:

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

Actuarial Function

The activities of the Actuarial Function are to :

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

Internal Audit Function

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

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

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

Changes in the System of Governance

During the year, Mr Franco Azzopardi was appointed as Non-Executive Director of the Company, member of the Compliance and Risk Committee, and Chair to the Audit Committee, replacing Mr Paul Mercieca who resigned on 28 June 2023. Mr Magnus Heimann was appointed on the Board and on the Underwriting and Claims Committee on the 9 March 2023, whilst Mr Richard James Finney was appointed to the Board on 13 September 2023, as well as to the Underwriting and Claims Committee and the Compliance and Risk Committee. Executive director resignations from the Board included Mr Alan Quilter, who resigned on 12 December 2023, as well as Mr Paul Corver, who resigned on 10 April 2023.

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

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

Remuneration Policy

The average number of employees employed by the Company during the year was of 50 (2022: 49). In the last quarter of 2023, the Company transferred the employee contracts of the Malta head office staff and the UK Branch staff to R&Q Malta Holdings Limited and Program Management Services UK

Limited, respectively. The Company continues to outsource certain functions to the Group and to other third-party providers. Further detail of outsourced arrangements is included in Section B7. Non-independent directors are not compensated separately for duties as directors since this is part of their overall employment responsibilities.

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

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

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

Transactions with Shareholders

As disclosed within Section A3 above, the Company has loaned back £38.0m to immediate and ultimate Shareholders as at 31 December 2023, excluding accrued interest. The loans are unsecured and repayable within one year and attract a market interest rate.

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

B2. Fit and proper requirements

The Board of Directors and Officers

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

- Professionally competent and capable to carry out their responsibilities and have demonstrated this through their knowledge, experience and training.
- Honest, of integrity, financially sound and reputable.

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

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

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

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

Purpose

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

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

Risk Management strategies and processes

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

Risk Governance and Culture

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

First Line of Defence

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

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

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

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

Second Line of Defence

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

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

Third Line of Defence

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

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

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

Risk Transparency

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

Risk Appetite Framework

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

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

Risk Policies

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

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

Risk & Control Management Process

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

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

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

Risk Identification (new and emerging risks)

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

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

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

Risk Assessment and Quantification

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

Risk Control/Mitigation and Reporting

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

Reporting

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

Regular Reporting

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

Review

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

Emerging Risks

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

Stress and Scenario Testing

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

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

Own Risk and Solvency Assessment

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

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

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

How the ORSA is reviewed and approved

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

B4. Internal control system

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

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

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

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

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

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

B5. Internal Audit Function

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

Authority

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

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

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

Reporting Lines

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

The HIA:

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

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

Independence

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

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

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

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

External Quality Assessment

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

Internal Audits Completed

In 2023, GIA issued 12 final audit reports on AIEL's operations and those of its service providers. It also monitored the progress of two group-wide projects. A further 10 audits were still in progress at the end of the year. Ten reviews relevant to AIEL's operations were postponed to 2024 with the Audit Committee's approval.

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

All draft reports are discussed with management to confirm their factual accuracy and the suitability of their proposed actions to address the issues raised. GIA tracks all actions and provides reports on the status of all open items to the Audit Committee. The reports to the Audit Committee include both matters specific to AIEL and those relating to services outsourced by the AIEL Board to other group operations.

Internal Audit Plan

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

The plan for the reporting period detailed the specific internal audits AIEL would likely be subject to in the three years 2023 to 2025 inclusive. The rolling plan was approved by the Audit Committee and includes specific audits of the Company's control environment as well as audits of other Group operations that service the needs of AIEL. The audit plan is reviewed quarterly and is based on the risk exposure to the business.

B6. Actuarial function

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

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

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

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

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

During 2023, the Actuarial Function participated in Board and Underwriting and Claims Committee meetings. In addition, the Actuarial Function is fully integrated in the due diligence process on the uptake of new business, working alongside the Underwriting Committee and the Head of Underwriting. The Actuarial function reviews and reports upon the quarterly and annual actuarial valuations, both in terms of statutory reserves and the reserves based on the Solvency II valuation. In addition, it also acts as the liaison between the Board and the external independent actuaries.

The Actuarial Function is also fully integrated into the ORSA process working alongside the Risk Management Function. It also confirmed the Company's SCR cover at 31 December 2023.

B7. Outsourcing

Outsourcing Policy

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

Outsourced Functions

Entity	Function	Jurisdiction
Willis Towers Watson Management (Malta) Ltd	Compliance	Malta
R&Q Central Services Ltd	Operational Services, Actuarial, Risk Management, Internal Audit	United Kingdom
Conning Asset Management Limited	Investment Management	United Kingdom
R&Q Malta Holdings Limited*	Finance, Compliance/Governance, Technical Accounting/Credit Control	Malta
Program Management Services UK Limited*	Program Management, Program Operational Services, Executive, Claims, Due Diligence, MGA Audit	United Kingdom

*In the last quarter of 2023, the Company transferred the employee contracts of the Malta head office staff and the UK Branch staff to R&Q Malta Holdings Limited and Program Management Services UK Limited, respectively.

Managing General Agents (MGAs)

As at 31 December 2023, the Company had appointed the following MGAs

Entity	Jurisdiction
Eridge Underwriting Agency Limited	United Kingdom
Blagrove Underwriting Agency Limited	United Kingdom
Corin Underwriting Limited	United Kingdom
Footprint Underwriting DAC	Republic of Ireland
Futura Insurance Agencia de Suscripcion SL	Spain
First Underwriting Limited	United Kingdom
Inperio Limited	United Kingdom
Inspire Motor Limited	United Kingdom

Aegean Insurance SA	Greece
CPD Underwriting Solutions Limited	United Kingdom
Kitsune Associates Limited	United Kingdom
Dupi Underwriting Agencies B.V.	Netherlands
Sophro MGA Limited	United Kingdom
Stabilis MGA Limited	United Kingdom
Insurami Technology Solutions Limited	United Kingdom
Dual Asset Underwriting Limited	United Kingdom
Eaton Gate MGU Limited	United Kingdom
GEO Underwriting Services Limited	United Kingdom
Intrasurance B.V.	Netherlands
Ivernia Insurance Limited	Republic of Ireland
Optio Underwriting Limited	United Kingdom
ERS Syndicate Sevices Limited	United Kingdom
Heca Unipersonale S.r.l.	Italy
ToleranceIns Sp. z o.o.	Poland
Rising Edge Limited	United Kingdom
Rising Edge Limited	Germany
Markerstudy Insurance Service Limited	United Kingdom
Resolve Services Limited	United Kingdom
Global Litigation Limited	United Kingdom
Litica Ltd	United Kingdom
Blackrock Insurance Solutions	Republic of Ireland
Nexus Underwriting Limited	United Kingdom
VALE Insurance Partners Europe BV	Germany
QMetric Group Limited	United Kingdom
Ticker Limited	United Kingdom
EuroCaution Benelux SA	Luxembourg
EuroCaution Benelux SA	Belgium
ForBroker GmbH Assekuradeur	Germany
Integra Insurance Solutions Limited	United Kingdom
Resilience Cyber Insurance Solutions Germany GmbH	Germany

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

- that the risks associated with outsourcing are appropriately managed and that AIEL has adequate measures in place to identify, measure, monitor, manage and report these risks in a timely manner as part of the Company’s overall risk management system.
- that outsourced service providers have the appropriate expertise and experience and resources to undertake the outsourced activities to the standards required by the AIEL;
- that there is no reduction in responsibility of the Board of Directors (and where applicable, any relevant Board appointed committee) for key functions of the Company as a result of outsourcing;

- that there is no material impairment of the quality of the Company's System of Governance as a result of outsourcing a key activity or function;
- that the Company's approved policies and procedures are adhered to by the outsourced service provider;
- that there is no material impairment of the Company's ability to fulfil its obligations to stakeholders, nor impede effective supervision by regulators as a result of outsourcing a key activity or function;
- that no material conflicts of interest result from outsourcing a key function or activity;
- that all outsourcing arrangements are supported by appropriate written agreements.

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

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

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

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

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

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

B8. Any other information

There is nothing to report.

C. Risk Profile

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

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

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

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

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

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

- Insurance Risk (including underwriting, reinsurance and reserve risk)
- Market Risk
- Credit Risk
- Liquidity Risk*
- Strategic Risk*
- Group Risk**
- Operational Risk (including regulatory, legal, cyber and outsourcing risks)
- Emerging Risk (including Environmental, Social, and Governance ("ESG") ***

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

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

**** Emerging risks are considered against all other risk categories as appropriate*

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

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

C1. Insurance / Underwriting Risk

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

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

  Management and Mitigation:

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

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

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

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

  Management and Mitigation:

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

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

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

  Management and Mitigation:

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

  In future, all of AIEL's legacy exposures will be reinsured into R&Q Legacy entities as AIEL will cease to underwrite legacy business. This will be supported by security in the form of Funds Withheld and 'Comfort Trust'.

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

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

  Management and Mitigation:

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

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

  Management and Mitigation:

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

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

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

C2. Market Risk

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

The main market risks which affect the Company are:

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

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

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

  Management and Mitigation:

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

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

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

Management and Mitigation:

The risk of price volatility is managed by entering into a diverse range of investments including equities. The Company has an active Investment Committee that has established a set of investment guidelines that are also approved by the Board. These guidelines provide parameters for investment management, including contracts with external portfolio managers. They include, inter alia, reference to an optimal spread of the investment portfolio, maximum exposures by the Company to any one issuer and its connected parties. These parameters also consider solvency restrictions imposed by the regulator.

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

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

Management and Mitigation:

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

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

Management and Mitigation:

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

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

The Company's material risk concentration is in respect of the current level of inter-company loans (Group risk). One of the conditions of the Accredited sale, which completed on 28 June 2024, required that a portion of the sale proceeds is to be used to pay back the inter-company loan in full. This will significantly reduce concentration risk.

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

Management and Mitigation:

The Company mitigates any concentration risk by spreading investments over multiple counterparties. The Company's material risk concentration is in respect of the current level of inter-company loans (Group risk), which attracts a capital risk charge. As explained above, this risk will significantly reduce following the Accredited sale.

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

C3. Credit Risk

This is the risk of the Company's counterparties being unwilling or unable to fulfil their obligations or when a change in their credit status takes place. Key areas where the Company is exposed to credit risk are:

- Investments and cash and cash equivalents
- Counterparty exposures to reinsurers
- Amounts due from intermediaries and MGAs in respect of premium written and sliding scale commissions recoverable
- Deposits to cedants
- Trade receivables

Management and Mitigation:

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

- The Company places limits on the level of credit risk undertaken from the main categories of financial instruments. These limits also take due consideration of the solvency restrictions imposed by the relevant regulations. The investment strategy of the Company considers the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.
- The Company structures the levels of credit risk it accepts by limiting as far as possible its exposure to a single counterparty or groups of counterparties. The Company has in place internal control structures to assess and monitor credit exposures and risk thresholds.
- The Company's cash is placed with quality financial institutions, thereby reducing the concentration of counterparty credit risk to an acceptable level.
- Reinsurance/retrocessional transfer is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer/reinsurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder/reinsured. The creditworthiness of reinsurers is monitored regularly by reviewing credit grades provided by rating agencies and other publicly available financial information, thereby ensuring the continuous monitoring of the financial strength of the reinsurer.
- In the case of legacy business, when Board approves a portfolio transfer, it assesses the reinsurers' credit rating (either Standard & Poors or equivalent) of any inuring treaties and

ensures that adequate provisions are put in place for those that fall outside ratings acceptable to the Company with the adequate provision for bad debt.

- The exposure to individual counterparties is also managed by other controls, such as the right to offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on loans and receivables and on reinsurers' share of technical provisions and subsequent write-offs.
- In respect of legacy business, the Company recognises that the majority of its counterparty exposure is in respect of inherited contracts over which it has no direct control, and will therefore assess potential exposures and concentrations as part of due diligence in advance of accepting a new portfolio. In respect of the run-off portfolios, the Company continues to monitor known significant concentrations of exposure to individual counterparties and considers the use of commutations (potentially on unfavourable terms) and / or the use of additional Adverse Development Covers ("ADC") to mitigate the potential risk of default.
- In respect of the reinsurers of the live program business, the Company monitors the reinsurers' credit ratings and that the level of any collateral remains sufficient to cover the projected size of the reserves and IBNR.

  All new reinsurers proposed as counterparties on the program business are assessed using the Reinsurer Counterpart Risk tool which assesses the potential reinsurance counterparty concentration against either an individual or a parent reinsurer. Each individual reinsurer or parent reinsurer has capital attributed to it depending on its credit rating.

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

  In addition, the Company has no appetite for reliance on a single program MGA for premium generation in excess of 20% of the planned Gross Written Premium (GWP), unless there is specific sign-off in place.
- The Company will, insofar as possible and practicable, support the Group in identifying potential significant concentrations to individual counterparties arising from exposure across multiple group entities.

C4. Operational Risk

This is the risk of operational issues such as inadequate information systems, breaches in internal controls, lack of internal controls over financial reporting, fraud, or failure of a service provider will result in a disruption in business and financial loss.

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

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

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

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

- **Operational – Process risk:** Financial transformation has been the most significant change program currently being undertaken by the Company. There is a risk to the smooth continuation of the finance function in Business as Usual, which is being mitigated by the use of external consultants and the recruitment of full-time staff.

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

C5. Other material risks

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

- **Liquidity Risk**

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

  Management and Mitigation:

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

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

- **Reputational Risk**

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

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

Claims and complaint procedures and contacts must be provided. Claims must be managed in accordance with the policy wording and complaints must be managed efficiently and fairly. Failure by the Company or its agents to meet these obligations could lead to reputational damage for the Company.

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

- **Group Risk (Contagion)**

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

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

- **Strategic Risk**

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

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

  In 2016, the Company identified Brexit as a strategic risk. Since then the Company has applied for and received approval from the UK Prudential Regulatory Authority ("PRA") for the formation of a Freedom of Establishment branch office in the UK. This enabled the Company to underwrite in the UK the full range of classes for which AIEL is authorised by the MFSA. Upon the expiry of the Brexit Transition Period on 31 December 2020, the AIEL UK Branch continued to write business in the UK under the PRA's Temporary Permissions Regime (TPR) through a "deemed Part 4A permission".

  The Company submitted an application to the PRA for approval of its UK branch for which it received approval in Q4 2023.

  In addition, due to the experienced growth in the UK business and the scale and complexity of the expected future growth, the Group, on the Board's recommendation, submitted an application with the PRA and FCA with respect to establishing a new insurance entity in the UK to underwrite UK risks. The Group set up a multi-disciplinary committee to drive and oversee this complex process and to analyse the implications on resources, capital as well as on prudential and conduct matters.

- **Capital Management Risk**

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

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

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

C6. Any other information

There is no further information to be included.

D. Valuation for Solvency Purposes

D1. Assets

As at 31 December 2023, the Company held the following assets with valuation for solvency purposes as shown:

Class	Valuation (£000s)
Property, Plant and Equipment	25
Investments	
Property	-
Holdings in related undertakings	-
Equities	9,880
Bonds	142,161
Collective investment undertakings	123,399
Other investments	1,688
Intra-Group Loans	38,033
Reinsurance Recoverables	512,914
Insurance and Intermediaries Receivables	77,064
Deposits to Cedants	11,516
Deferred Tax Assets	11,603
Trade Receivables	15,227
Cash and Cash Equivalents	32,467
Total assets	**975,977**

Investments

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

Equities, debt securities and collective investment undertakings

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

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

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

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

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

Deferred tax assets

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

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

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

The transition to IFRS 17 resulted in an increase in the deferred tax assets relating to the carry-forward of unused tax losses. The deferred tax asset subsequently increased to £22.3m at the reporting date (2022: £20.3m). The Company believes, on the basis of its most recent projections, that future taxable profits will be available against which the unused tax losses can be utilized, taking into account of the fact that the unused tax losses result from identifiable causes which will not recur and that there are no time limits on the extent to which the Company can carry-forward unused tax losses in the relevant jurisdictions.

The deferred taxation has no expiry date and is substantially non-current in nature.

Compliance with IFRS

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

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D2. Technical Provisions

SII TPs

AIEL has gross discounted best estimate Technical Provisions ("TPs") of £611.9m. The equivalent net amount is £99.0m. In addition, AIEL holds a risk margin of £14.1m.

31 December 2023		SII TPs	
		Gross	Net
Credit and suretyship insurance	Direct	11,089	1,195
Fire and other damage to property insurance	Direct	105,975	16,239
General liability insurance	Direct	43,261	1,956
Legal expenses insurance	Direct	28,382	(4,352)
Marine, aviation and transport insurance	Direct	3,128	2,687
Miscellaneous financial loss	Direct	(197)	(612)
Motor vehicle liability insurance	Direct	320,261	23,335
Other motor insurance	Direct	(6,455)	(4,036)
Workers' compensation insurance	Direct	28,037	21,158
Income Protection proportional reinsurance	Proportional	2	2
Credit and suretyship proportional reinsurance	Proportional	15	15
Fire and other damage to property proportional reinsurance	Proportional	5,088	5,044
General liability proportional reinsurance	Proportional	8,141	3,542
Marine, aviation and transport proportional reinsurance	Proportional	1,415	1,401
Other motor proportional reinsurance	Proportional	11	11
Motor vehicle liability proportional reinsurance	Proportional	10,143	10,143
Workers' compensation proportional reinsurance	Proportional	740	58
Non-proportional casualty reinsurance	Non-Proportional	52,585	4,620
Non-proportional marine, aviation and transport reinsurance	Non-Proportional	1,196	614
Non-proportional property reinsurance	Non-Proportional	552	549
Total Undiscounted		**613,368**	**83,571**
SII Expenses		21,916	21,916
ENIDs		47,500	5,141
Bad Debt			761
Discount		(70,839)	(12,357)
Total Discounted		**611,945**	**99,031**
SII Risk Margin		14,092	14,092
SII Technical Provisions		**626,037**	**113,123**

Methodology

In setting the gross undiscounted claim element of TPs, the starting point is the US GAAP claims reserves determined for reporting in the group financial statements, which are then translated to a SII and IFRS 17 basis.

The bases, methods and assumptions for arriving at the SII basis for each line of business are detailed below:

- TPs are estimated by the Chief Actuary and the Actuarial Function ("AF") and approved by the AIEL Board. Following the AF reserving policy, the AF determines best-estimate reserves with no margin for prudence on Solvency II basis.
- Reserves are set by homogenous risk groups according to the class of business.
- Claims TPs are projected using ResQ at various points through the year. The Company selects underwriting year loss development factors using historical paid and incurred claims development

triangles. Where underwriting years within a class showed significantly different development patterns different loss development factors are selected. Where necessary, tail factors have been estimated by fitting mathematical curves.

- For disease losses, reserves are projected using frequency severity decay models. Where appropriate (e.g., for disputes and large claims) the reserves for specific losses are estimated separately outside the standard models.
- Net claims reserves have been estimated for legacy business by using Gross-to-Net ratios to reduce the gross reserves. For program business, the individual reinsurance contracts have been applied to the gross reserves on a case-by-case basis. There are £512.9m of discounted reinsurance TPs.
- The bad debt on the projected reinsurance recoveries is estimated using a credit default charge against all reinsurers based on Standard & Poor's Reinsurer Strength Ratings, where available. Where S&P ratings are unavailable, A.M. Best data is used to complete the listing of reinsurers and ratings.

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

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

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

- Legally Obliged business.
- Expenses.
- Discounting.

Material differences are highlighted below.

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

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

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- Expenses
  For Solvency II TPs, the discounted cashflows associated with the estimated cost of running all claims off to finality is required to be included in the TPs. A simple percentage approach is taken to estimating SII additional expenses due to the nature of the run-off reserves and the expected short length of run-off of the program business.

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

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

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

- Risk Margin
  Currently the risk margin is calculated on a simplified cost of capital approach (method 3 in the UK QIS5 template). The SCR relating to the written and obliged business is run off using best estimate net discounted cash flows adjusted for future premiums, ENIDs and ULAE. The cost of capital of 6% is then applied to the SCR and discounted without liquidity premium to give the risk margin. This approach runs off the SCR in proportion to the expected run-off of technical provisions. The simplified method has been chosen due to the maturity of the Company and the nature of the exposures.

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

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

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

  Additional uncertainties for these types of liabilities include:

  - The long tail nature of these liabilities means they are reported and settled over many decades.
  - There is a limited volume of past claims data meaning there is a large degree of subjectivity in the selection of parameters.
  - Court interpretations and legislative changes can have a material impact on reserves.
  - Models are used in the projection of the reserves for Industrial Disease liabilities and there are a number of underlying assumptions. Given that actual claim development does not typically conform to statistical models there is a degree of model uncertainty.

- These models have been parameterised with reference to past experience. Any extent to which there are inaccuracies or poor-quality data will introduce parameter uncertainty. In addition, there is significant expert judgement involved with the selection of the parameters and the models are sensitive to these assumptions.
- Future development can and does differ from experience.

IFRS 17 TPs

December 2023		IFRS17 TPs	
		Gross	Net
SII Predominant Class			
Credit and suretyship insurance	Direct	15,112	8,740
Fire and other damage to property insurance	Direct	126,921	71,050
General liability insurance	Direct	135,475	13,701
Legal expenses insurance	Direct	19,878	-16,605
Marine, aviation, and transport insurance	Direct	2,106	791
Miscellaneous financial loss	Direct	3,537	2,676
Motor vehicle liability insurance	Direct	394,065	41,836
Other motor insurance	Direct	12	12
Workers' compensation insurance	Direct	18,532	11,617
Income Protection proportional reinsurance	Proportional	3	3
Credit and suretyship proportional reinsurance	Proportional	11	11
Fire and other damage to property proportional reinsurance	Proportional	5,305	5,305
General liability proportional reinsurance	Proportional	12,937	12,937
Marine, aviation, and transport proportional reinsurance	Proportional	3,657	3,657
Other motor proportional reinsurance	Proportional	-	-
Motor vehicle liability proportional reinsurance	Proportional	11,077	11,077
Workers' compensation proportional reinsurance	Proportional	4,546	4,546
Non-proportional casualty reinsurance	Non-Proportional	70,300	-7,107
Non-proportional marine, avaition and transport reinsurance	Non-Proportional	292	276
Non-proportional property reinsurance	Non-Proportional	171	171
Total Undiscounted		**823,939**	**164,695**
Bad Debt		0	1,365
Discount		-80,203	6,986
CSM		97,415	-5,083
Total Discount		**841,151**	**167,963**
IFRS17 Risk Margin		63,443	-18,372
IFRS17 Technical Provision		**904,594**	**149,591**

For the purposes of IFRS 17 and therefore statutory financial statements, technical provisions are set as follows:-

- Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together. For program business, each portfolio is divided into cohorts to align with binder periods in line with the binder agreements entered into with the MGAs. Binders lasting more than one year are divided into yearly parts. Once a binder is renewed, the new iteration is allocated to its own separate cohorts. Reinsurance contracts fall into their own groups, and the cohort periods applied to those groups are not constrained by the cohort periods used for the underlying inwards business. For legacy business, there is a one-to-one relationship between groups of contracts and portfolios. Groups/portfolios are made up of

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one or more reserving classes, with similar reserving classes being grouped together. Any outwards reinsurances on inwards reserving classes are treated as additional portfolios.

- The contract boundary rules under IFRS 17 give rise to potential sources of mismatches when measuring gross business and the related reinsurance contracts held. On the gross side, the Company only recognizes contracts as and when it actually writes this business. On the reinsurance contracts held however, the Company is required to recognize all the cash flows it expects within the boundary, including reinsurance cash flows related to gross business already written as well as cash flows related to future gross business that has not yet been written.

- On initial recognition, groups of insurance contracts are measured at the total of :-

    - Fulfilment cash flows – comprising of estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and
    - The contractual service margin or CSM – representing the unearned profit that is recognised as the Company provides services under those contracts.

  The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

  On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expense arising on initial recognition. If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

- The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC).

  The LRC comprises the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and any remaining CSM at that date.

  The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not reported.

- The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

- The carrying amount of the CSM at the reporting date is the carrying amount at the start of the year adjusted for:
    - The CSM of new contracts added to the group in the year;
    - Interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows determined on initial recognition;
    - Changes in fulfilment cash flows that relate to future services, except to the extent that:
        - Any changes in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit and loss; or
        - Any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss.
    - the effect of any currency exchange differences on the CSM; and
    - the amount recognised as insurance revenue because of the services provided in the year.

- To measure a group of reinsurance contracts, the Company applies the same policies as are applied to insurance contracts, with the following modifications. The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

  The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

  On initial recognition, the CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group, (c) any cash flows arising at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the Company recognises the cost immediately in profit or loss as an expense.

  The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer.

- The risk adjustments for non-financial risk are determined by the Company using a confidence level technique. To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results. Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and

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calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 80th percentile (the target confidence level) over the expected present value of the future cash flows.

- All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Company determines the risk-free rates using the rates published by EIOPA (European Insurance and Occupational Pensions Authority), as these are provided timely and cover all the relevant currencies and maturity periods.

  To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are generally determined by comparing the corporate spot rates and the risk-free spot rates as published by the Bermuda Monetary Authority (the Group supervisor) and taking an adequate percentage of the difference between the two yield curves.

Other Information

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

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

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

D3. Other Liabilities

As at 31 December 2023, the Company held the following other liabilities with valuation for solvency purposes as shown:

Class	**Valuation (£000s)**
Subordinated Liabilities	21,574
Insurance & Intermediaries Payable	27,811
Reinsurance Payables	203,637
Trade Payables	9,687
Provision other than Technical Provisions	33
Other Liabilities	22
Total Liabilities	**262,764**

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

The Company initially recognises its financial liabilities on the date that they are originated. The Company does not recognise a financial liability when its contractual obligations are discharged or

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cancelled or expired. Financial liabilities are initially recognised at cost and subsequently approximate their fair value. The Company's financial liabilities include insurance and other payables.

Provisions other than technical provisions

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

Compliance with IFRS

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

D4. Alternative Methods for Valuation

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

D5. Any Other Information

There is nothing else to report.

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E. Capital Management

E1. Own funds

The Company's objectives when managing capital are to:

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

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

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

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

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

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Own funds have moved as follows:

	Share Capital Tier 1 £000s	Reconciliation Reserve Tier 1 £000s	Subordinated Debt Tier 2 £000s	Deferred Tax Asset Tier 3 £000s	Total £000s
Basic own funds at 1 January 2023	**92,506**	**(15,269)**	**21,903**	**2,441**	**101,581**
Foreign exchange movements			(404)		(404)
Capital injection	5,000				5,000
Movement in excess of assets over liabilities		(6,665)	75		(6,590)
Movement in deferred tax				9,162	9,162
Basic own funds at 31 December 2023	**97,506**	**(21,934)**	**21,574**	**11,603**	**108,750**

As at 31 December 2023, the Company's SCR and MCR coverage was as follows:

	Tier 1	Tier 2	Tier 3	Total
Basic own funds	**75,573**	**21,574**	**11,603**	**108,750**
SCR				**78,727**
MCR				19,682
Total available own funds to meet SCR	**75,573**	**21,574**	**11,603**	**108,750**
Total available own funds to meet MCR	75,573	21,574	-	97,147
SCR Cover				**138%**
MCR Cover				494%
Total eligible own funds to meet SCR	**75,573**	**21,574**	**11,603**	**108,750**
Total eligible own funds to meet MCR	75,573	3,936	-	79,509
SCR Cover				**138%**
MCR Cover				404%

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

Ordinary Shares

The share capital is made up of Ordinary shares. The issued share capital of the Company remained unchanged during the year under review.

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Shareholders' Contribution

These are contributions made by the Company's Shareholders for which settlement is neither planned nor likely to occur in the foreseeable future, for which no interest is levied by the Shareholders and that are not subject to any restrictions or the fulfilment of any conditions or requirements on the part of the Company. In 2023, a further contribution of £5.00m (2022: £1.49m) was made.

Reconciliation Reserve

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

Subordinated Debt

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

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

Available own Funds to cover SCR and MCR

In assessing the solvency cover, the Board considers the available own funds to be a significant driver. The Company is in a position to cover the SCR fully with its Tier 1 and Tier 2 capital. When assessing the Company's strength and as such, the Directors view the Company's available own funds coverage of SCR to be the most appropriate to the Company.

The Company does not hold any ancillary own funds.

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

	£'000s
Excess of assets over liabilities as per SII	**87,176**
Intangible asset within IFRS not permitted under Solvency II	6,142
Adjustment to deferred tax assets	11,799
Difference in value of net TPs as explained in Section D2	(36,468)
Difference in value of net receivables/payables	25,811
Net deferred acquisition Costs not permitted under Solvency II	(4,241)
Differences due to transition to IFRS 17 other than net TPs	(30,077)
Equity as per IFRS	**60,142**

E2. Solvency Capital Requirement and Minimum Capital Requirement

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

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As the year end 2023, the SCR for AIEL is £78.7m with a corresponding MCR of £19.7m. The drivers of risk are detailed in the risk categories that constitute the SCR as shown in the table below:

RISK DESCRIPTIONS	**£Ms**	**£Ms**
As at Date	**12/2022**	**12/2023**
Non-life underwriting risk	37.3	36.9
Health underwriting risk	4.1	5.5
Life underwriting risk	-	-
Market risk	21.9	25.9
Counterparty default risk	16.5	25.2
Basic SCR (diversified)	58.7	67.6
Operational risk	13.6	20.3
SCR	72.3	87.9
MCR	17.4	19.7
LACDT Adjustment	(2.7)	(9.1)
Regulatory SCR	**69.7**	**78.7**

The equivalent SCR and MCR at the preceding year end were £69.7m and £17.4m respectively. The increase in the SCR reflects the future planned growth in AIEL's strategy as well as the achieved growth during 2023.

USP and Simplifications

We have, where considered appropriate, applied simplified approaches in determining the SCR for AIEL as at year end 2023 in line with the nature, scope and complexity of AIEL's risk profile. We believe these simplifications are in line with Article 88 of the Delegated Acts on proportionality. The simplified approaches were applied to:

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

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

The MCR is determined as prescribed in the 'Commission Delegated Regulation (EU) 2015/35 of 10 October 2014'. As at year end 2023, AIEL's MCR reflects the Linear MCR.

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

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

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

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

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

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

E6. Any other information

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

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Appendix 1 – ART Forms

Accredited Insurance

Solvency and Financial Condition Report

Disclosures

31 December

2023

(Monetary amounts in GBP thousands)

General information

Undertaking name	Accredited Insurance (Europe) Limited
Undertaking identification code	635400CIPL7LGNBQ4U90
Type of code of undertaking	LEI
Type of undertaking	Non-Life insurance undertakings
Country of authorisation	MT
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	GBP
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	11,603
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	25
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	277,128
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	9,880
R0110	*Equities - listed*	9,880
R0120	*Equities - unlisted*	0
R0130	*Bonds*	142,161
R0140	*Government Bonds*	43,388
R0150	*Corporate Bonds*	94,591
R0160	*Structured notes*	0
R0170	*Collateralised securities*	4,183
R0180	*Collective Investments Undertakings*	123,399
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	1,688
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	38,033
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	38,033
R0270	Reinsurance recoverables from:	512,914
R0280	*Non-life and health similar to non-life*	512,914
R0290	*Non-life excluding health*	507,032
R0300	*Health similar to non-life*	5,882
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	11,516
R0360	Insurance and intermediaries receivables	77,064
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	15,227
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	32,467
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	975,977

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S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	626,037
R0520	*Technical provisions - non-life (excluding health)*	599,950
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	588,390
R0550	*Risk margin*	11,560
R0560	*Technical provisions - health (similar to non-life)*	26,087
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	23,555
R0590	*Risk margin*	2,532
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	33
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	27,811
R0830	Reinsurance payables	203,637
R0840	Payables (trade, not insurance)	9,687
R0850	Subordinated liabilities	21,574
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	21,574
R0880	Any other liabilities, not elsewhere shown	22
R0900	**Total liabilities**	888,801
R1000	**Excess of assets over liabilities**	87,176

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S.05.01.02

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business		0	0	245,604	137,262	63	321,917	139,554	16,060	15,259		4,436					880,156
R0120	Gross - Proportional reinsurance accepted		0	2,202	0	0	0	0	301	0	0		0					2,503
R0130	Gross - Non-proportional reinsurance accepted														28	0	0	28
R0140	Reinsurers' share		0	0	233,617	117,250	57	294,728	131,506	14,401	15,683		4,434		0	0	0	811,676
R0200	Net		0	2,202	11,987	20,013	6	27,189	8,349	1,659	-424		1		28	0	0	71,010
	Premiums earned																	
R0210	Gross - Direct Business		0	0	206,277	114,694	0	233,839	134,968	14,401	63,446		3,838					771,463
R0220	Gross - Proportional reinsurance accepted		0	2,202	0	0	0	0	213	0	0		0					2,415
R0230	Gross - Non-proportional reinsurance accepted														28	0	0	28
R0240	Reinsurers' share		0	0	197,793	96,258	0	210,264	128,021	12,813	63,370		3,837		0	0	0	712,356
R0300	Net		0	2,202	8,485	18,435	0	23,575	7,159	1,589	76		1		28	0	0	61,550
	Claims incurred																	
R0310	Gross - Direct Business		-12	3,973	197,215	56,136	171	146,525	22,447	6,597	957		172					434,181
R0320	Gross - Proportional reinsurance accepted		0	0	0	0	0	0	0	0	0		0					0
R0330	Gross - Non-proportional reinsurance accepted														28,644	0	0	28,644
R0340	Reinsurers' share		0	559	165,564	59,495	42	132,628	14,776	5,600	817		172		29,043	0	0	408,694
R0400	Net		-12	3,414	31,652	-3,359	129	13,897	7,670	998	140		0		-399	0	0	54,131
R0550	**Expenses incurred**		0	0	837	-5,908	0	3,025	-4,095	-147	-1,320		55		5	0	0	-7,549
R1210	**Balance - other technical expenses/income**																	
R1300	**Total technical expenses**																	-7,549

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**		0	0	0	0	0	0	0	0	0		0		0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole		0	0	0	0	0	0	0	0	0		0		0	0	0	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross		0	0	52,755	-1,804	-903	22,029	-27,197	2,124	27,414		-610		0	0	0	73,807
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0	0	48,233	342	-730	12,931	-20,521	2,709	30,167		0		0	0	0	73,131
R0150	**Net Best Estimate of Premium Provisions**		0	0	4,522	-2,147	-173	9,098	-6,676	-585	-2,753		-610		0	0	0	676
	Claims provisions																	
R0160	Gross		2	23,552	285,572	-1,691	4,992	95,668	77,897	9,116	3,427		401		37,689	1,026	487	538,137
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0	5,882	247,854	-1,445	1,035	79,500	63,857	7,002	3,026		379		32,199	491	2	439,782
R0250	**Net Best Estimate of Claims Provisions**		2	17,671	37,718	-246	3,957	16,169	14,039	2,114	401		21		5,490	534	485	98,355
R0260	**Total best estimate - gross**		2	23,552	338,327	-3,495	4,089	117,697	50,700	11,240	30,841		-210		37,689	1,026	487	611,945
R0270	**Total best estimate - net**		2	17,671	42,240	-2,392	3,784	25,267	7,363	1,529	-2,352		-589		5,490	534	485	99,031
R0280	**Risk margin**		0	2,532	5,404	-35	567	2,317	2,011	303	57		3		787	77	69	14,092
R0320	**Technical provisions - total**		3	26,084	343,731	-3,530	4,656	120,014	52,711	11,543	30,899		-207		38,476	1,102	556	626,037
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**		0	5,882	296,087	-1,103	305	92,431	43,337	9,711	33,193		379		32,199	491	2	512,914
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**		3	20,202	47,644	-2,428	4,351	27,583	9,375	1,832	-2,294		-586		6,277	611	554	113,123

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S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Underwriting Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
	Year					Development year								In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											402,502		402,502	402,502
R0160	-9	0	0	66	73	94	177	13	192	70	165			165	849
R0170	-8	0	220	-1	1,080	0	703	36	5	157				157	2,200
R0180	-7	236	1,369	687	1,067	117	393	125	683					683	4,677
R0190	-6	2,645	7,427	2,260	1,261	1,414	5,221	1,003						1,003	21,231
R0200	-5	5,000	14,583	10,769	6,994	2,822	3,585							3,585	43,753
R0210	-4	20,054	40,206	17,677	8,814	15,530								15,530	102,280
R0220	-3	22,721	57,081	29,429	26,824									26,824	136,054
R0230	-2	21,170	78,357	36,260										36,260	135,788
R0240	-1	31,534	157,570											157,570	189,104
R0250	0	68,340												68,340	68,340
R0260													Total	712,619	1,106,779

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											67,449		57,798
R0160	-9	0	0	3,483	632	581	1,452	2,579	1,091	3,971	4,137			3,363
R0170	-8	0	1,081	459	3,038	3,567	25	258	1,595	2,880				2,336
R0180	-7	14,064	2,710	1,993	3,793	1,206	981	664	1,005					874
R0190	-6	8,704	7,170	9,964	1,728	2,385	1,569	1,717						1,551
R0200	-5	16,187	23,714	17,050	17,915	16,735	14,057							13,530
R0210	-4	28,571	55,057	50,307	32,556	37,019								35,397
R0220	-3	81,858	106,456	44,899	29,309									27,629
R0230	-2	59,950	102,814	53,167										51,130
R0240	-1	106,971	221,872											198,449
R0250	0	153,139												146,081
R0260													Total	538,137

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)	42,875	42,875		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-21,934	-21,934			
R0140	Subordinated liabilities	21,574		0	21,574	0
R0160	An amount equal to the value of net deferred tax assets	11,603				11,603
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	54,631	54,631	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	108,750	75,572	0	21,574	11,603
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	108,750	75,572	0	21,574	11,603
R0510	Total available own funds to meet the MCR	97,146	75,572	0	21,574	
R0540	Total eligible own funds to meet the SCR	108,750	75,572	0	21,574	11,603
R0550	Total eligible own funds to meet the MCR	79,509	75,572	0	3,936	
R0580	**SCR**	78,727				
R0600	**MCR**	19,682				
R0620	**Ratio of Eligible own funds to SCR**	138.14%				
R0640	**Ratio of Eligible own funds to MCR**	403.97%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	87,176				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	109,110				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	-21,934				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business					
R0790	**Total Expected profits included in future premiums (EPIFP)**	0				

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S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	25,932		
R0020	Counterparty default risk	25,176		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	5,502		
R0050	Non-life underwriting risk	36,852		
R0060	Diversification	-25,880		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	67,581		

USP Key

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

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

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	20,274
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-9,129
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	78,727
R0210	Capital add-ons already set	0
R0211	*of which, capital add-ons already set - Article 37 (1) Type a*	0
R0212	*of which, capital add-ons already set - Article 37 (1) Type b*	0
R0213	*of which, capital add-ons already set - Article 37 (1) Type c*	0
R0214	*of which, capital add-ons already set - Article 37 (1) Type d*	0
R0220	**Solvency capital requirement**	78,727
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

		Yes/No
	Approach to tax rate	C0109
R0590	Approach based on average tax rate	Yes

	Calculation of loss absorbing capacity of deferred taxes	**LAC DT**
		C0130
R0640	LAC DT	-9,129
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	-9,129
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

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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	16,407

		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	11,987
R0030	Income protection insurance and proportional reinsurance	2	20,013
R0040	Workers' compensation insurance and proportional reinsurance	17,671	6
R0050	Motor vehicle liability insurance and proportional reinsurance	42,240	27,189
R0060	Other motor insurance and proportional reinsurance	0	8,349
R0070	Marine, aviation and transport insurance and proportional reinsurance	3,784	1,659
R0080	Fire and other damage to property insurance and proportional reinsurance	25,267	-424
R0090	General liability insurance and proportional reinsurance	7,363	0
R0100	Credit and suretyship insurance and proportional reinsurance	1,529	1
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	2,202
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	5,490	28
R0160	Non-proportional marine, aviation and transport reinsurance	534	0
R0170	Non-proportional property reinsurance	485	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	16,407
R0310	SCR	78,727
R0320	MCR cap	35,427
R0330	MCR floor	19,682
R0340	Combined MCR	19,682
R0350	Absolute floor of the MCR	3,495
R0400	**Minimum Capital Requirement**	19,682

PKF Assurance (Malta) Limited
Signed for identification
purposes only 10/07/2024