UK DEFENCE CLUB

The United Kingdom Freight Demurrage
and Defence Insurance (Europe) Limited

Solvency and Financial Condition Report

For the year ended 20 February 2023

UKDC
IS MANAGED
BY **THOMAS**
MILLER

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Summary

The United Kingdom Freight Demurrage and Defence Insurance (Europe) Limited (the "Company" or "UKDE") is a company incorporated in Cyprus. UKDE has obtained its insurance license from the Cyprus Ministry of Finance on 19th June 2020, and has started writing insurance business for EU policyholders in October 2020.

The purpose of this report is to satisfy the public disclosure requirements under the European Union Directive 2009/138 (Solvency II Directive) transposed into local legislation (Law on Insurance and Reinsurance Services and Other Related Business of 2016) including the EU Delegated Regulation 2015/35 supplementing the above Directive. This report covers the Business and Performance of UKDE, the System of Governance (including risk management), Risk Profile, Valuation for Solvency Purposes and Capital Management of the Company over the reporting period.

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

The financial year runs to 20 February each year and the Company's reports its results in Pounds Sterling.

For solvency purposes the Company uses the standard formula to calculate its Solvency Capital Requirement ("SCR") and as an insurer of the marine legal expense risks, the Company's insurance business is classified as legal expenses insurance for Solvency II purposes. All business is underwritten from Cyprus, however policyholders are dispersed internationally.

During the year under review, the Company made a profit after tax of UK£66,536 (2022: £19,160), as reported in its annual financial statements.

For solvency purposes the Company's total own funds were UK£3,798,138 against an SCR of £1,804,279 resulting in coverage of 210% and eligible own funds of UK£3,798,138 against an Minimum Capital Requirement ("MCR") of UK£2,395,926 resulting in coverage of 159%. Since the Company's MCR is based on the absolute floor as set by EIOPA, the coverage is impacted by Sterling relative to Euro. Were it not for the absolute floor, the Company's MCR would have been UK£451,070.

The Company complied with MCR and SCR throughout the year.

A. Business and Performance

A.1. Business

Corporate information

A.1.1 Name and legal form

The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd was incorporated in Cyprus on 4 July 2019 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

Its registered office is at 37 Theklas Lysioti, Gemini House, Flat 202, 3030 Limassol, Cyprus.

A.1.2 Supervisory Authority details

The Company is regulated by the Insurance Companies Control Service (ICCS), Ministry of Finance located at Michael Karaoli & Gregori Afxentiou, 1439, Nicosia, Cyprus.

Contact details:
Telephone number: +357 22 602990
Fax Number: +357 22 302938
E-mail: insurance@mof.gov.cy
Website : http://mof.gov.cy/en/directorates-units/insurance-companies-control-service

A.1.3 External auditor

The Company's external auditors are:

ERNST & YOUNG CYPRUS LIMITED,

6 Stasinou Avenue Jean Nouvel Tower,
P.O.Box 21656
1511 Nicosia, Cyprus.

A.1.4 Shareholders of qualifying holdings

UKDE is 100% owned by The United Kingdom Freight Demurrage and Defence Association Limited ("UKFDD").

UKFDD was incorporated in the United Kingdom as a company limited by guarantee without share capital.

During the year, the authorised share capital of the Company which is consisted of twenty thousand Sterling Pounds (UK£20.000) divided into twenty thousand (20.000) ordinary shares of nominal value of one Sterling Pound (UK£1,00) each, was increased to forty thousand Sterling Pounds (UK£40.0000) divided into forty thousand (40.000) ordinary shares of nominal value of one Sterling Pound (UK£1,00) each, by the creation of twenty thousand (20.000) additional ordinary shares of nominal value one Sterling Pound (UK£1,00) each, under the same terms and conditions as the existing shares of the Company.

A. Business and Performance (continued)

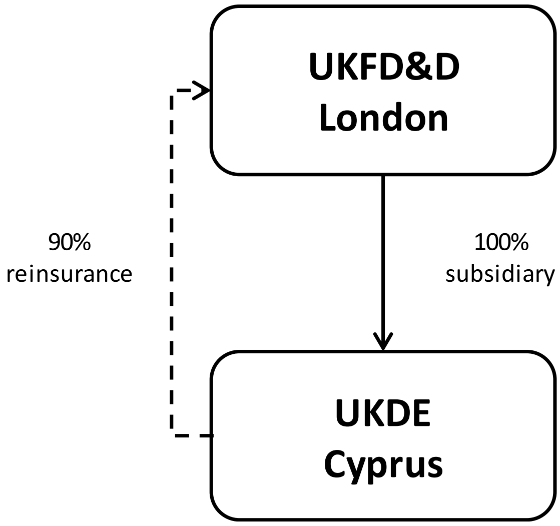
A.1. Business (continued)

A.1.4 Shareholders of qualifying holdings (continued)

Ten thousand ordinary shares (10.000) out of the additional authorised share capital of the Company of nominal value UK£1,00 each were issued and allotted to the existing sole member of the Company at a premium and an amount of UK£50,00 be paid per share out of which the amount of UK£1,00 per share represents the nominal value and the amount of UK£49,00 per share the share premium, totalling to UK£500,000.

A.1.5 Group structure

The Company is a wholly owned subsidiary of UKFDD. The Group writes legal cost insurance on behalf of its Members and policyholders. The Group operates as a single business, but has the following corporate structure:



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Overview

The Company, a monoline insurer, carries on the business of insurance of its policyholders against legal costs and expenses as defined in the Rules of the Company. UKDE cedes approximately 90% of its business to UKFDD. The legal group in turn retrocedes 90 per cent of its business with The United Kingdom Defence Insurance Association (Isle of Man) Limited ("UKDIA").

This report presents solely the results and Solvency II position of the Company.

For Solvency II purposes the Company's business is classified as legal expense insurance.

The number of ships entered in the Company as at the year-end on 20 February 2023 was 526, compared to 501 during the year ended 20 February 2022. In terms of tonnage, the Company insured 24,840,796 tonnes during the year ended 20 February 2023 compared to 24,852,524 tonnes insured during the year ended 20 February 2022.

A. Business and Performance (continued)

A.2. Underwriting Performance

The Company's business is underwritten in Cyprus, although policyholders are internationally dispersed. The Company offers insurance coverage for legal expenses incurred by its policyholders. Because the Company covers movable risk, geographical analysis of the location of risks is not feasible. For further information on the underwriting performance of the Company, by material geographical area, refer to Quantitative Reporting Template ("QRT") s.05.02.01 which presents a geographical analysis by policyholder location and forms part of the Company's annual regulatory reporting requirements.

For the year ended 20 February 2023, the Company produced an underwriting profit of UK£417,185, as detailed further in the table below which is a summary of the Company's technical account reported on in line with the International Financial Reporting Standards.

Summary of technical account as at 20 February 2023:

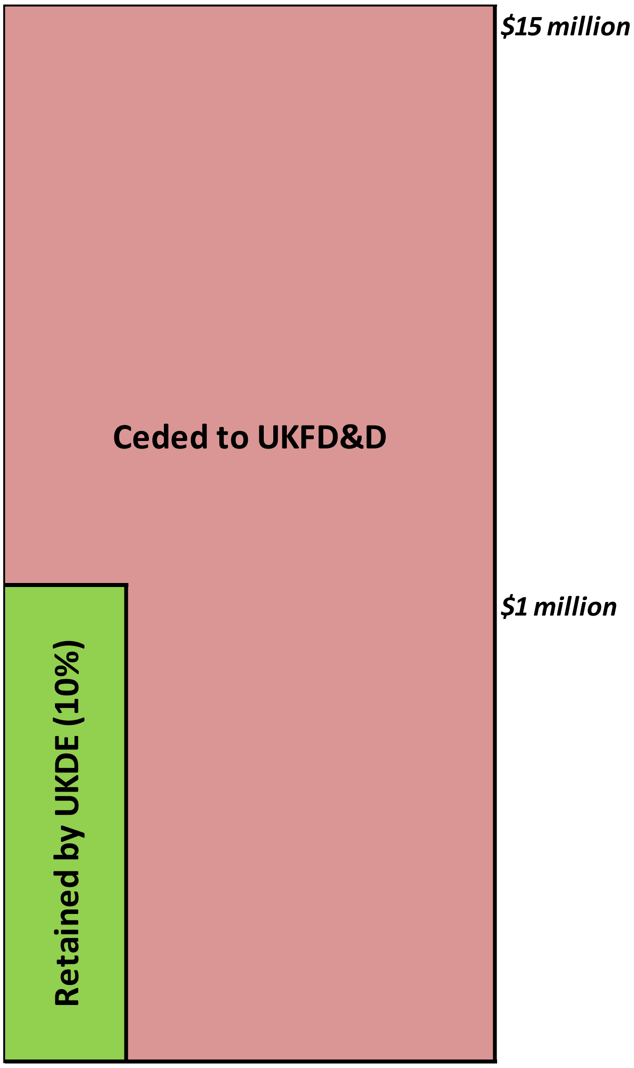
	20/02/2023 UK£	20/02/2022 UK£
Premium written net off brokerage fees	**2,430,632**	2,454,854
Outward reinsurance premiums	**(2,187,569)**	(2,209,369)
Net movement in unearned premium	**(3,353)**	-
Ceding commission	**381,560**	390,043
Net premium written	**621,270**	635,528
Claims incurred	**(2,111,101)**	(1,427,765)
Reinsurers' share of gross insurance liabilities	**1,907,016**	1,284,989
Net claims incurred	**(204,085)**	(142,776)
	417,185	492,752

A. Business and Performance (continued)

A.2. Underwriting Performance (continued)

Risk mitigation
The Company writes policies with a maximum policy limit of $15 million. The first $1.0 million of claims is retained by the Company with any excess over the $1.0 million retention and up to $14.0 million are ceded on an excess of loss basis with the Parent company. Retained share of claims is further ceded to the Parent company on a 90% quota share basis. This arrangement is consistent with the Group policy.

The below table illustrates the reinsurance programme of the Company:



Exposure to reinsurance counterparties in excess of $1 million is mitigated by the Group placing its external reinsurances with counterparties rated A- or better.

On its 90% reinsurance programme for claims below $1 million, the Group has the benefit of a legal charge in the form of a fixed charge debenture over UKDIA's assets which mitigate the Group's exposure to Reinsurers' share of technical provisions.

A. Business and Performance (continued)

A.3. Investment Performance

In accordance with the investment policy of the Company, the investment mandate is updated on a regular basis. The table below shows the Company's invested assets split by asset class as reported in the Company's IFRS financial statements:

Invested assets split by asset class as at 20 February 2023:

Asset class	20/02/2023 UK£	20/02/2022 UK£
Financial assets at fair value through profit or loss	**3,245,494**	3,187,118
Cash at bank	**538,781**	139,947
Total financial assets	**3,784,275**	3,327,065

The following table details the Company's investment income by asset class as reported in the Company's IFRS financial statements:

Investment return split by asset class as at 20 February 2023:

	20/02/2023 UK£	20/02/2022 UK£
Financial assets at fair value through profit or loss	90,516	13,694

A.4. Performance from other Activities

The Company has no activities other than its principal insurance activities as presented in A2 – Underwriting performance.

A. Business and Performance (continued)

A.5. Any other Information

Overall, the Company produced an accounting profit after tax of UK£66,536 (2022: UK£19,160) for the year resulting in retained earnings of UK£74,736 (2022: UK£8,200) in the IFRS financial statements. Total comprehensive income for the year was UK£66,536 (2022: UK£19,160).

Impact of the Russian invasion of Ukraine on the Company
On 24 February 2022, Russian troops started invading Ukraine. In response, multiple jurisdictions have imposed economic sanctions on Russia and Belarus. This war is increasingly affecting economic and global markets and poses ongoing challenges to the global landscape, such as rising inflation. The degree of impact depends on the nature and duration of uncertain events, such as additional sanctions and reactions to these events by financial markets. The Company does not have a physical presence in either Russia or Ukraine, and as such is not directly impacted by these events. Indirectly, the sanctions regime imposed on Russia and Belarus could impact the Company's ability to recover premiums from Members, and pay claims to Members. The Company could be also impacted by adverse movements in foreign exchange rates and on the investment portfolio holds. It should however be noted that the Company's Russian Membership represents an immaterial proportion of its overall book, and as such the crisis in Ukraine is not expected to impact the Company's year-end and cash flow position, nor the Company's assumption around going concern. The Company continues to keep the position under close review in order to ensure compliance with sanction measures whilst acting for the benefit of its overall Membership.

The Company's Management believes that it is taking all the necessary measures to maintain the viability of the Company and the smooth conduct of its operations in the current business and economic environment.
As such, the Company does not consider the above to have any significant impact on its ability to continue as a going concern.

Financial risks arising from climate change
Financial risks arising from climate change is a key area of focus for regulators. The Company has appointed the Risk Officer as the Senior Management Function holder with the responsibility for identifying and managing exposures from climate change and ensuring that the regulator's expectations are met.

The continuing emergence of different elements of climate change is being monitored to assess whether and to what extent they might affect future exposure for the Company. The changes imposed on the shipping industry in order to reduce the industry's impact on the environment and climate change regulation developments have, or may have, an impact on Members' existing business models. In turn, this could impact the Company's business model. The Company is likely to be most impacted during the period of adjustment whilst the industry tries to address new environmental regulations.

A. Business and Performance (continued)

A.5. Any other Information (continued)

Financial risks arising from climate change (continued)
The Company has considered climate change risk as a risk that manifests through the established principal risks and cascades through the various functions of the Company (underwriting, credit, operational and financial). As such additional procedures and controls as well as updates in the existing mitigating controls have been introduced, in order to ensure that climate changes risks are identified, measured, monitored and managed, against the risk appetite and business risk model. The Company is developing measures and stress tests to manage the potential risks arising from climate change. The Managers are implementing measures to reduce energy consumption, increase the scope of recycling within its office operations, and to raise awareness amongst employees of environmental responsibility and promote sustainable business.

2023 banking crisis
The rising interest rates which unmasked hidden vulnerabilities linked to poor investment strategy of some banks and failure to manage interest rate risk, led three small- to mid-size U.S. banks to fail in the beginning of 2023. In March 2023, Credit Suisse, the second-largest bank in Switzerland, collapsed due to accumulated financial problems and was acquired by UBS, the multinational investment bank and financial services company also based in Switzerland. These triggered volatility in the financial markets and in particular, a sharp decline in global bank stock prices. The Company did not have any exposure to the banks that collapsed. The Company closely monitors the credit ratings of its counterparties.

B. System of Governance

B.1. General Information on the System of Governance

The Board of Directors
The ultimate responsibility for the governance of UKDE rests with the Board of Directors. Its role is to provide supervisory oversight of the Company within a framework of prudent and effective controls which enables each of the risks faced by the Company to be assessed and managed. The Board is responsible for promoting the long- term success of the Company whilst securing an appropriate degree of protection for policyholders. The Board of Directors comprises of executive and non-executive directors. Non-executive directors are individuals who are figures of standing within the shipping industry, are equity principals or main board directors of the organisations which they represent which in turn are policyholders of the Company. Executive directors hold key functions in the Company. The Directors meet three times a year.

The Board of Directors may delegate any of its powers, duties or discretions to committees consisting of such Directors as it sees fit. Delegation to Committees does not in any way compromise the Board of Directors from collectively discharging its duties and responsibilities. The Board of Directors is informed of the main issues discussed as all minutes of the meetings of the committees are distributed to the Board of Directors.

The Board of Directors comprises of the following Members:

Name	Position	Role
Daniel John Evans	Chief Executive Officer, Director	Executive Director
Petros Pappas	Non executive and Independent Director	AR&R Committee - Member
Michail Pateras	Non executive and Independent Director	AR&R Committee - Member
Polys Hajioannou	Non executive and Independent Director	AR&R Committee - Member
Maria Savva	Chief Financial Officer, Risk Officer, Director	Executive Director
George Mouskas	Non executive and Independent Director	AR&R Committee - Member

Committees
The following committees aid the Board of Directors in its duties:

Audit, Regulatory & Risk Committee
The Audit, Regulatory & Risk Committee ("AR&R") considers various issues relating to the sound and prudent management of the Company. The AR&R Committee is accountable to the Board of Directors and assists the Board of Directors in meeting its responsibilities in ensuring an effective system of internal control and compliance and for meeting its external reporting obligations, including its obligations under applicable laws and regulations and is directly responsible on behalf of the Board of the Board for the oversight of the External Auditor.

B. System of Governance (continued)

B.1. General Information on the System of Governance (continued)

Group Management Fee Committee
The Group Management Fee Committee meets periodically/ad hoc and its main role is to negotiate with the Managers the management fee arrangements of the Company on behalf of the Board of Directors.

Key functions

The Managers
The Company has no employees and as such the Board of Directors relies on the Managers for the day-to-day management duties of the Company. The Management function is performed by the Thomas Miller Group of Companies. The functions and responsibilities of the Managers are set out in the Management Agreement between the Managers and the Company.

The Board of Directors may delegate a wide range of powers, duties and discretions to the Managers on such terms as it sees fit. Under the Articles of Association the Managers are entitled to attend all meetings of the Board of Directors and of committees of the Board of Directors and all general meetings of the Company and have a representative on the Board of Directors.

The Investment Managers
Investment of the Company's funds is conducted by the Investment Managers in accordance with the Board of Directors' Investment Policy and is subject to internal compliance procedures.

The functions and responsibilities of the Investment Managers are set out in the Management Agreement between the Investment Managers and the Company.

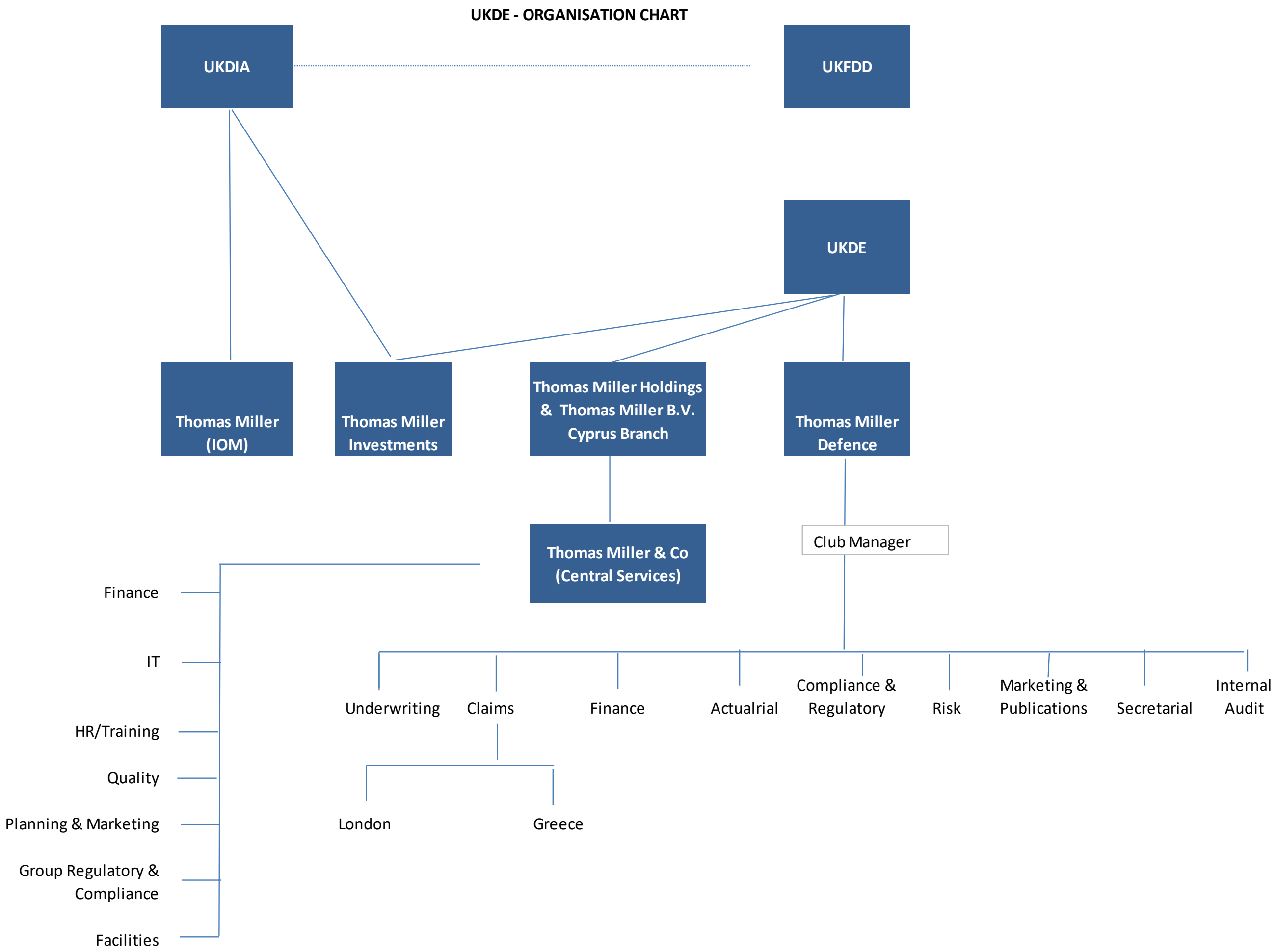
Governance
The Company's maintains a prescribed set of responsibilities for the following functions

- Chairman (Board)
- Chief Executive Officer (Board / Managers)
- Chief Operating Officer (Manager)
- Chief Financial Officer (Managers)
- Chief Risk Officer (Managers)
- Head of Internal Audit (Managers)
- Chair of Audit, Regulatory and Risk Committee (Board)
- Chief Actuary (Managers)
- Chief Underwriting Officer (Managers)
- Claims Function (Managers)
- Investment Manager (Managers)
- Compliance Officer (Managers)

B. System of Governance (continued)

B.1. General Information on the System of Governance (continued)

The Company's organisation chart is shown below. It details the more granular reporting lines and delegation of responsibilities within the management and investment management structure:



B. System of Governance (continued)

B.1. General Information on the System of Governance (continued)

Remuneration
Directors receive an attendance fee for each meeting and an annual fee. Directors' fees are not subject to pension or early retirement schemes and there are no variable components to the Directors' remuneration.

The Company has no internal executive function and its management is wholly performed by companies within the Thomas Miller Holdings Ltd group of companies. The Managers are responsible for recruitment in line with the Thomas Miller Group Recruitment Policy and performance management, ensuring that all staff have and maintain the relevant skills, knowledge and expertise necessary to perform their roles and responsibilities.

Related party transactions

The Company is 100% owned by UKFDD.

Three out of the five directors are representative from the Member companies and two are representatives of the Manager. Any transactions are arranged on an arm's length basis and the Directors have no financial interests in the Company.

The Company reinsures with UKFDD on a 90% quota share basis.

B.2. Fit and Proper Requirements

Persons responsible for running the Company, including executive senior management and key function holders fall into the scope of Fit and Proper requirements, as per the Principles and Code of Ethics and Conduct, to achieve competence.

For the above identified individuals, Supervisory Authority approval is required before the appointment of the position. The Board of Directors maintains ultimate responsibility to notify the supervisory authority of the key functions identified in the Company, and the individuals that are in scope of the fit and proper requirement, ensure they are fit and proper and seek approval from the Supervisor with regards to the Fitness and Propriety of the individuals stated above.

All persons within the scope of the Company's Fit and Proper requirements must have the professional qualifications, knowledge and experience and demonstrate the sound judgement necessary to discharge their areas of responsibility competently, both at the time of their appointment or employment and on a continuous basis to meet the changing or increasing requirements of their particular responsibilities and the business in general. They must be of good repute and demonstrate in their personal behaviour and business conduct character, integrity and honesty. As part of the assessment consideration will be given to potential conflicts of interest and financial soundness. The level of fitness must be appropriate and proportionate to each person's role, tasks and responsibilities.

B. System of Governance (continued)

B.2. Fit and Proper Requirements (continued)

The Board of Directors must be composed in a way to ensure that its members collectively possess sufficient knowledge, competence and experience to direct and oversee the Company's affairs effectively.

The Fit and Proper requirements applies to:

- All Directors of the Company;
- All employees of the Managers who are members of the Thomas Miller's senior management; and
- Persons within the Managers responsible for key functions, being function holders for Risk Management, Regulatory Compliance, Actuarial and Internal Audit.

For the individuals under the scope of the Fit and Proper requirement, the following controls are performed upon appointment:

- Credit search - No Bankruptcy Certificate
- Identity check
- Sanctions Screening
- Criminal Records check – Certificate of clean criminal record
- Educational and Professional Certificates

Fitness will include an assessment of the person's management and/or technical competencies required for the role based on qualifications, knowledge, experience and the demonstration of due skill, care, diligence and compliance with relevant standards (as applicable). Propriety will include an assessment of the person's reputation and past conduct.

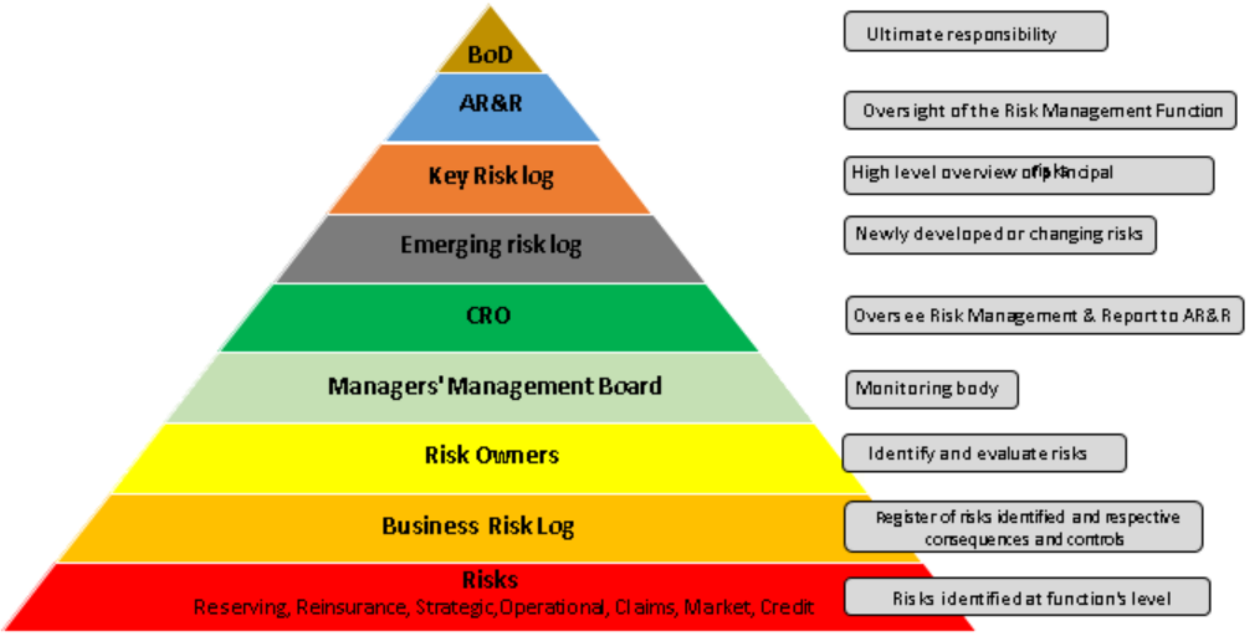
Fit and proper assessments are carried out by the Chairman, the Group Manager or the Compliance Officer. No person is permitted to undertake their own assessment.

B. System of Governance (continued)

B.3. Risk Management System

Overview

The management of risk is of critical importance to the Company and is a key area of responsibility for the Board of Directors and the Audit, Regulatory and Risk Committee. The diagram below illustrates how risk reporting cascades through the business from risk owners through the Chief Risk Officer ("CRO") to the Committee and Board.



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

- 1st line of defence: business units, process and risk owners
- 2nd line of defence: risk management and compliance functions
- 3rd line of defence: internal and external audit

The risk management system includes:

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

The risk management system has a coherent focus on data and IT infrastructure governance and appropriate policies and standards to outline the framework within which responsibilities will be exercised. It is supported by a robust internal control system and is designed to manage significant risks to the achievement of the Group's business objectives. The core elements of the risk management framework are as follows:

B. System of Governance (continued)

B.3. Risk Management System (continued)

Risk Management Strategy

The objectives of the risk management strategy are to identify, measure, monitor, manage, and report in a consistent, continuous and timely fashion, on the basis of the risk appetite as set by the Board of Directors.

Forecasts and long-term projections of how the business needs to develop and which internal and/or external factors might affect or impede such development are considered when carrying out business strategy reviews. Risk related to initiatives and objectives adopted in the business plan are added to the Business Risk Log.

Business Risk Log

Risks to the business that could inhibit the Company achieving its business plan objectives are described in the Business Risk Log, together with the consequences should the risk materialise. The risks are categorised and assessed and monitored on an ongoing basis.

Each risk in the Business Risk Log is assigned a Risk Owner and an accountable person. Risk Owners are required to report on their owned risks as part of a twice-yearly reporting process. Key themes are reported to the Audit, Regulatory & Risk Committee. The reporting process also includes potential emerging risks identified during the reporting period which are recorded in an Emerging Risk Log, and loss and near miss events.

A rating for each risk is determined by assessing its probability and impact. The assessment of each risk is on the basis of Inherent Risk and Residual Risk which is the risk that remains after taking into account the strength of current risk management procedures that are in place.

Risk Policies and Procedures

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

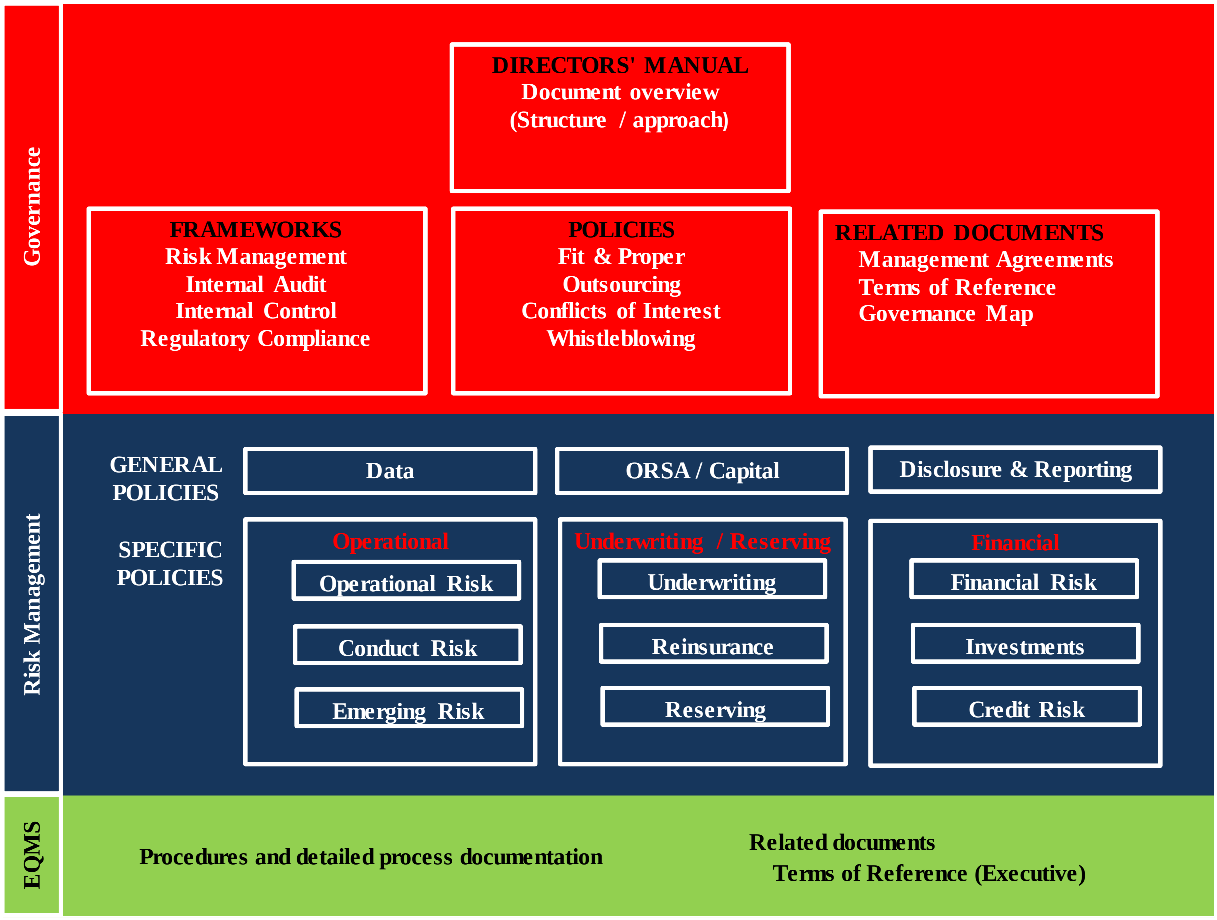
The policies include appropriate reporting procedures to ensure that information relating to the component elements of the risk management is routinely reported to the Audit, Regulatory & Risk Committee and to the Board of Directors.

The Company's governance and risk documentation is contained in the Manager's electronic repository and include Governance documentation, Management agreements, Risk Management, Internal control, Regulatory frameworks, Policies, procedures and detailed process and related documents.

B. System of Governance (continued)

B.3. Risk Management System (continued)

The Company's governance and risk documentation includes the following:



Risk Appetite

The Company's Risk Appetite is articulated in the statement of risk appetite, which is a document owned by the Board of Directors and reviewed on a regular basis as new risks emerge, or at least annually. The Company's business strategy is aligned to the Corporate Plan and focuses on three critical areas:

- Strong independent financial position
- Sound underwriting and claim management
- Enhanced market share

The Board of Directors determines the appropriate risk appetite and sets the Company's risk strategy. It has developed high-level risk appetites that are used by the Board of Directors to monitor the implementation of the risk strategy.

B. System of Governance (continued)

B.3. Risk Management System (continued)

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

Key risks
A list of key risks has been compiled by the Company's Board of Directors and senior management of the Company based on their experience and expert judgement in running the business. This list provides a high-level overview of the principal risks faced by the business which, individually or in combination, may have a significant, substantial or catastrophic impact on the Company and is aligned with the key risks for the Group. The key risks affecting the Company are agreed by the Audit, Regulatory & Risk Committee each year.

Own Risk and Solvency Assessment ("ORSA")
Every year, and on an ad hoc basis, if circumstances materially change, the Company prepares an ORSA overview report. The ORSA is the process used by the Company to manage its financial and solvency position over the period of its Corporate Plan and the ORSA overview report is the culmination of this process into a report reviewed by the Board of Directors. As such, it is an intrinsic part of the Company's Corporate Planning Process and it is taking into account in assessing the Company's report.

The key elements of the ORSA process are:

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

The Audit, Regulatory and Risk Committee reviews the ORSA and recommends it for approval and use by the Board of Directors.

The Board of Directors reviews the ORSA and considers appropriate action for the Company such as:
- Capital related decisions
- General Increase considerations
- Reassessment of risk profile and risk appetite
- Additional risk mitigating actions

The assessments to date indicate that the Company is adequately capitalised.

B. System of Governance (continued)

B.3. Risk Management System (continued)

Risk Controls

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

Whereas ultimate control for each risk rests with the Board of Directors, day-to-day control is exercised by the Risk Owners unless otherwise stated, as set out in the Business Risk Log. Further information on the Company's Internal Control Framework may be found in B.4 – Internal Control System.

Risk Reporting Procedures

Risk Owners identify operational risk loss or near miss events which are reviewed by the Management Board and then recorded on the operational risk database with remedial actions identified for which a completion date is set.

Implementation of the Risk Management system

The Risk Management Function is fulfilled by the Company's Risk Officer who oversees risk management; provides independent challenge; and has direct access to the Chairman of the Audit, Regulatory & Risk Committee. The Risk Management Function maintains an organisation-wide and aggregated view of the risk profile of the Company , including monitoring risk tolerances against appetite, and advising on how risks might impact the business singly and in combination.

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

B.4. Internal Control System

Internal control is defined as a continually operating process effected by the Board of Directors, its Audit, Regulatory & Risk Committee, the Managers, all staff and systems and designed to support the Company in achieving its business plan objectives through efficient and effective operations and to protect its resources. Each Risk Owner, as named in the Business Risk Log, is responsible for the application of the Internal Control Framework and the design, development, implementation, documentation and maintenance of effective internal control processes in their area and reporting thereon.

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

B. System of Governance (continued)

B.4. Internal Control System (continued)

Control activities

These activities are embedded into plans, policies, procedures, systems and business processes. Their effectiveness relies on the level of compliance by management and staff.

The nature of the controls implemented and the level of control exercised are based on the assessment of frequency and impact of the risk, risk appetite and the cost of implementing controls relative to the significance of the risk.

The Internal Control Framework as a whole and internal control processes individually are monitored on an ongoing basis through the following mechanisms:

- Performance indicators
- External data
- Analyses and reconciliations
- Regulatory compliance monitoring audits
- Internal audits
- Procedure monitoring audits

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

The Risk Management Framework encompasses a number of elements that together facilitate an effective and efficient operation, enabling the Group to respond to a variety of risks.

Compliance function

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

In all cases of a regulatory breach, the Compliance Function investigates the cause and effect of breach and recommends remedies to the Managers’ Management Board for approval.

The Board of Directors bears ultimate responsibility for Regulatory Compliance, and is supported by the Audit, Regulatory & Risk Committee.

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

B. System of Governance (continued)

B.5. Internal Audit Function

The internal audit relationship is regulated by an Internal Audit Framework. Internal Audit is the “third line of defence” in the Company’s internal control framework, established to provide independent assurance that the systems of internal control established by management (“first line”) and the monitoring and oversight provided by the Risk Management and Compliance Functions (“second line”) are fit for purpose and operating effectively.
The objectives of the Internal Audit Function are to provide independent assurance that business risks are identified and are being well managed and controlled by effective systems of internal control.

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

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

Development of plans
Audit Plans are developed by the Internal Audit Function on a rolling three year basis, subject to annual review and approval by the Audit, Regulatory and Risk Committee. The plan is designed to provide for all significant areas of the business to be audited during each three year period.

Planning
The Internal Audit Function will prepare an Audit Planning Memorandum (“APM”) for each audit, which describes the scope of the Audit and the key risks to be addressed. There will be a formal opening meeting at which the appointed audit team will meet relevant line management to discuss the planned audit and agree the scope of work.

The finalised APM will be sent to relevant line management and copied to appropriate business executives who have an interest in the outcome of the Audit.

Execution
The audit team is responsible for conducting the fieldwork including performing whatever control evaluation, substantive and compliance testing is deemed necessary. The Internal Auditor leading the assignment will discuss any findings as they arise with appropriate management to ensure that any misunderstandings or queries are dealt with as soon as possible.

B. System of Governance (continued)

B.5. Internal Audit Function (continued)

An ‘end of fieldwork’ meeting will be held to confirm the factual accuracy of any control weaknesses identified during the course of the fieldwork and the recommended remedial action will be discussed at this meeting.

Reporting
A comprehensive Internal Audit report will be produced following completion of every Audit engagement. This report will include a description of any control deficiencies identified as well as the actions that have been agreed will be implemented to remedy these.

The report will include the names of the individuals responsible for remedial action and the date by which such actions will be completed.

All Internal Audit reports will be given an overall control rating which will be based on the severity of any individual control deficiencies identified.

The method of determining an overall control rating for Audit reports and for individual control weaknesses is described in the ‘TMIA Framework’ which is the methodology used by the Internal Audit function.

B.6. Actuarial Function

The Board of Directors are ultimately responsible for ensuring an effective Actuarial Function. This function is performed by the TM Actuarial Team, led by its Chief Actuary.

The Actuarial Function is independent of the Association’s management team and therefore able to undertake its duties in an objective, fair and independent manner. However, for operational purposes, the Actuarial Function is integrated into the Company’s internal control system through its role on the Managers’ committees and attendance at Board meetings.
The Actuarial Function undertakes all responsibilities as required by Solvency II, including:

- coordinating and overseeing the calculation of technical provisions;
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- informing the Board of Directors of the reliability and adequacy of the calculation of technical provisions;
- expressing an opinion on the overall underwriting policy;
- expressing an opinion on the adequacy of reinsurance arrangements; and
- contributing to the effective implementation of the risk management system including capital requirements and the ORSA process.

B. System of Governance (continued)

B.7. Outsourcing

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

Material business activities include the key functions of the Company's system of governance such as Risk Management, Compliance, Actuarial and Internal Audit as applicable, and all functions or activities that are fundamental to enable it to carry out its core business, including underwriting, claims handling and investments.

Management outsourcing
The Company has no internal executive function and its management is wholly outsourced to the Managers under a management agreement. In order to comply with its regulatory obligations, the Board of Directors has developed monitoring and reporting procedures and has delegated to the Audit, Regulatory and Risk Committee the monitoring of internal controls and risk. The risk control and reporting procedures to be followed by the Managers form part of their obligations under the Management Agreement. The Committee reports to the Board of Directors.

Investment management outsourcing
Management of the Company's investments is outsourced to Thomas Miller Investment Limited, part of the Thomas Miller group of companies, under an investment Management Agreement.

The performance of the investment managers is monitored and supervised by the Board of Directors.

Internal audit outsourcing
The Company's internal audit function is outsourced to Thomas Miller Internal Audit. Internal Audit is supervised by the Audit, Regulatory and Risk Committee and the Board of Directors.

Oversight
The Board of Directors bears ultimate responsibility for outsourced functions, services, or activities and related governance. The Board of Directors is supported by the Audit, Regulatory and Risk Committee which reviews outsourcing arrangements and the Managers' Management Board which monitors the activities of the Group, including outsourcing.

B.8. Any Other Information

It is considered that the system of governance in place is effective and provides a sound and prudent management of risks faced by the Company. The Company's organisational structure supports the strategic objectives and operations of the Company and ensures that the Board of Directors is able to take business decisions with a full appreciation of the impact on risk exposures and assess compliance with the Company's appetite.

The Company considers no other information material to be disclosed.

C. Risk Profile

The Company has set out a number of risk appetite statements which guide the implementation of its business plan. Currently the Company is operating in line with its risk appetite.

The following sections consider each of the Company's risk categories. The key risks are Underwriting Risk and Market Risk.

C.1. Underwriting Risk

The Company is a monoline insurer, underwriting only legal expense insurance for ship owners or operators.

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

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

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

Underwriting Risk is mitigated via the Company's reinsurance programme which covers claims in excess of $1.0 million. Of the $1.0 million per claim retained by the Company, 90% of the risk is covered by the Company's parent quota share reinsurer, UKFDD. Underwriting Risk is most sensitive to an increase in expected claims costs.

C.2. Market Risk

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

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

C. Risk Profile (continued)

C.2. Market Risk (continued)

Currency risk is a key risk for the Company as it primarily receives its premium income in US Dollars, but much of its outgoings are in Sterling or Euros. Currency risk is mitigated by the Company's Asset-Liability-Management ("ALM") programme whereby all insurance balances are 90% matched on a currency basis under the Company's reinsurance contract with UKFDD.

The following table details the Company's exposure to currency risk by each underlying currency as reported in the annual Financial Statements:

As at 20 February 2023

	Sterling UK£	**US Dollar UK£**	**Euro UK£**	**Total UK£**
Financial assets at fair value through profit or loss	2,921,304	324,190	-	3,245,494
Reinsurers' share of insurance liabilities	1,272,496	381,403	286,052	1,939,951
Insurance receivables	-	110,049	-	110,049
Receivables from parent entity	216,704	-	-	216,704
Trade and other receivables	13,713	11,356	-	25,069
Cash at bank	285,729	248,278	4,774	538,781
Insurance liabilities	(1,408,810)	(422,220)	(316,665)	(2,147,695)
Trade and other payables	(9,006)	(493,592)	378,132	(124,466)
	3,292,130	**159,464**	**352,293**	**3,803,887**

The prudent person principle

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

More specifically:

- to invest in assets and instruments whose risk can properly be identified, measured, monitored, managed, controlled and reported;
- to ensure the security, quality and liquidity of the portfolio as a whole;
- appropriate to the nature and duration of the Group's insurance liabilities;
- derivative instruments are possible if they contribute to a reduction of risks or efficient portfolio management;
- unlisted investments and assets are kept to prudent levels; and
- properly diversified to avoid excessive reliance on any asset, issuer or group, or geographical area.

C. Risk Profile (continued)

C.2. Market Risk (continued)

The prudent person principle (continued)

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

C.3. Credit Risk

Credit risk is the risk of loss in the value of the above financial assets due to counterparties failing to meet all or part of their obligations. The following table illustrates aggregate credit risk exposure for financial assets as reported in the Company's annual financial statements. The credit rating bands are provided by independent ratings agencies:

As at 20 February 2023

	AAA - A	**Not rated / not readily available**	**Total**	**Concentratio n**
	UK£	**UK£**	**UK£**	**%**
Financial assets at fair value through profit or loss	3,245,494	-	3,245,494	53%
Reinsurers' share of insurance liabilities	-	1,939,951	1,939,951	32%
Insurance receivables	-	110,049	110,049	2%
Receivables from parent entity	-	216,704	216,704	4%
Trade and other receivables	-	25,069	25,069	1%
Cash and cash equivalents	538,781	-	538,781	9%
Total assets subject to credit risk	**3,784,275**	**2,291,773**	**6,076,048**	100%

The Company's objective is to reduce credit risk through the risk management techniques discussed below.

The Company's exposure primarily relates to its 90% quota share arrangement with its parent company (UKFDD). Exposure is mitigated through the robust capital and solvency position of UKFDD.

C. Risk Profile (continued)

C.3. Credit Risk (continued)

Exposure to debtors is mainly in respect of calls and premium contributions. This is spread over a large number of policyholders and counterparties, which mitigates the risk. In addition, the Company has policy in place with which it carries out financial checks on existing and potential policyholders. Exposure to bank balances, however, is more concentrated, and the risk is mitigated by holding cash with reputable banking institutions with superior credit ratings for short term debt and by placing funds surplus to normal operational requirements in money market funds and other investments.

C.4. Liquidity Risk

Liquidity risk is the risk that the Company is unable to make payments as they become due. As at year end the Company did not have any significant exposure, however, as per the Company's policy, this is managed by the use of liquid investments.

The following table provides a maturity analysis of the Company's financial assets representing the date that a contract will mature, amounts are due for payment or the asset could be realised without significant additional cost as reported in the Company's annual financial statements:

20 February 2023

	Carrying amounts UK£	Contractual cash flows UK£	12 months or less UK£
Financial assets			
Financial assets at fair value through profit or loss	3,245,494	3,245,494	3,245,494
Reinsurers' share of insurance liabilities	1,939,951	1,939,951	1,939,951
Insurance receivables	110,049	110,049	110,049
Receivables from parent entity	216,704	216,704	216,704
Trade and other receivables	25,069	25,069	25,069
Cash at bank	538,781	538,781	538,781
Total financial assets	**6,076,048**	**6,076,048**	**6,076,048**
Financial liabilities			
Insurance liabilities	2,147,695	2,147,695	2,147,695
Trade and other payables	124,466	124,466	124,466
Total financial liabilities	**2,272,161**	**2,272,161**	**2,272,161**

C. Risk Profile (continued)

C.4. Liquidity Risk (continued)

The amount of gross expected profits included in future premium is as per the Solvency II balance sheet UK£755,833. However, it should be noted that the Solvency II balance sheet does not reflect all future expense cash flows and the actual expected profit over the year would be lower than this.

C.5. Operational Risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. In order to mitigate such risks the Company has engaged Thomas Miller as managers to document all key processes and controls in a document management system. This system is embedded into the organisation and available to all staff. Compliance with the procedures and controls documented within the system is audited on a regular basis through quality control checks and the internal audit function which is directed and reviewed by the Audit, Regulatory & Risk Committee.

C.6. Other Material Risks

There are no other material risks that the Company considers relevant for reporting.

C.7. Stress and scenario testing

The Company carries out stress and scenario testing as part of its risk management and ORSA process.

The base case business plan forecast for the next 3 years is used as the starting point for scenarios testing. The impacts of adverse scenarios are then evaluated. Due to the low level of operations the Company did not prepare a separate ORSA last year, instead, its results were included in the Group's ORSA report.

1. Weaker than- and stronger than forecast GBP relative to USD
2. Below- and above forecast investment return
3. Adverse and favourable claims inflation
4. Impact of a cyber-security breach.
5. Significant adverse claims development as a result of a large number consecutive insolvencies
6. Impact of climate change on sustainability of Membership
7. Major currency movement
8. Impact of inflation and further downturn in economic markets
9. Impact of Ukraine – Russia War
10. Increase in complexity of sanctions regimes

C. Risk Profile (continued)

C.7. Stress and scenario testing

Scenario's 1 to 5 highlighted that the Company would not move outside of its risk corridor in any of these scenarios. Scenario's 6 to 9 represents alternative scenarios, which are regarded as reverse stress tests. Whilst some of these scenarios caused the Company to break out of the bottom of its risk corridor, none of these scenarios caused the Company's capital resources to fall below its 1-in-200 capital requirement.

C.8. Any Other Information

The Company has not identified any other material information that is considered to be required to be disclosed.

D. Valuation for Solvency Purposes

D.1. Assets

A basic principle of Solvency II is that assets and liabilities are valued on the basis of their economic value. This is the price which an independent party would pay or receive for acquiring the assets or liabilities. The value of the assets less the value of the liabilities is then taken as the starting point for determining the available own funds.

Materially all of the valuation differences between the Solvency II balance sheet and the current accounting balance sheet relate to the valuation of insurance liabilities ("technical provisions") which is further discussed in D.2 – Technical Provisions. The Company prepares its financial statements under the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and in accordance with the requirements of the Cyprus Companies Law, Cap. 113.

The Solvency II balance sheet is presented in S.02.01.02. A summary of assets is shown in the table below.

Valuation of the Company's assets as at 20 February 2023:

	2023		2022	
	Solvency II UK£	Statutory UK£	Solvency II UK£	Statutory UK£
Financial assets at fair value through profit or loss	3,254,213	3,254,213	3,187,171	3,187,171
Reinsurance share of insurance liabilities	1,668,680	1,937,191	1,405,173	1,284,989
Deferred acquisition costs	-	3,065		
Insurance receivables	103,856	91,498	52,747	72,484
Cash at bank	538,781	538,781	139,625	139,625
Any other assets not elsewhere shown	252,519	844,444	474,400	474,399
	6,391,422	6,669,192	5,259,115	5,158,668

The above table presents amounts at Solvency II and IFRS valuation bases respectively. For classification purposes the Solvency II classification of amounts has been used.

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

Reinsurer's share of technical provisions

Reinsurer's share of technical provisions is treated consistently to gross technical provisions. Technical provisions is further discussed in D.2.

D. Valuation for Solvency Purposes (continued)

Receivables, trade not insurance

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

There are no material differences between the valuation used for Solvency purposes and the valuation used in the Company's financial statements.

Insurance receivables

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

When these amounts are not yet due, they are included as a future cash flow in the calculation of technical provisions for Solvency II purposes as further detailed in D.2. This is materially different to statutory account requirements which require these balances to be presented separately on the face of the balance sheet whether they are due or not yet due.

Cash and cash equivalents

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

There are no material differences between the valuation used for solvency purposes and the valuation used in the Company's financial statements.

Any other assets not elsewhere shown

These balances comprise sundry, short term receivables which are classified as sundry receivables in the statutory financial statements.

Due to the short term nature of these balances, their carrying amount is considered to be a reasonable approximation for fair value.

There are no material differences between the valuation used for Solvency purposes and the valuation used in the Company's financial statements.

Net technical provisions as at 20 February 2023:

	2023 **UK£**	**2022** **UK£**
Gross best estimate	1,541,090	1,170,371
Risk margin	(270,999)	(180,262)
Reinsurance best estimate	(1,668,680)	(1,405,173)
Net technical provisions	(398,589)	(415,064)

D. Valuation for Solvency Purposes (continued)

D.2.Technical Provisions

Refer to Appendices S.17.01.02 and S.19.01.21 for further details on technical provisions.

The Company's technical provisions are valued using the following principles:

Bases, methods and main assumptions
The technical provisions are valued using the methodology prescribed by the Solvency II Directive and associated regulations. They consist of a "best estimate" of future cash flows (claims, premiums and expenses), which are discounted in line with risk-free interest rates to give the "present value" of those cash flows. Finally, a (market value) "risk margin" is added to take the total to a notional market value (i.e. equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations).

Claims
As the Company only covers legal expenses, all claims are analysed together in one risk group. Standard actuarial techniques are used to project these cash flows including chain ladder and Bornhuetter-Ferguson methods. The key assumptions related to the initial expected claims cost for each policy year and the projected notified claims development pattern. These methods are considered appropriate given the longevity and stability of the Association and its claims handling processes.

Allowance is made for claims on contracts bound, but for which coverage has not yet incepted (corresponding to the premium provision). These are valued using an inflation assumption applied to the previous year ultimate.

The future claims cash flows are the most uncertain element of the technical provisions. The uncertainty involved was further discussed in Section C1 on Underwriting Risk.

Premiums
The premium cash flows in the technical provisions cover (i) the outstanding instalments of premium on expired business that are payable but not yet due on the valuation date (corresponding to the provision for claims outstanding); and (ii) the premium payable but not yet due on bound but not incepted business (corresponding to the premium provision).

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

D. Valuation for Solvency Purposes (continued)

D.2.Technical Provisions (continued)

Risk margin

The risk margin is calculated based on the requirement to hold capital to meet the SCR until all claims liabilities are settled and a prescribed cost-of-capital rate of 6% per annum. This calculation is based on the assumption that a "reference undertaking" takes on the insurance obligations (and associated reinsurance arrangements). The SCR in this context is made up of Underwriting Risk, Counterparty Default Risk and Operational Risk only; assets are assumed to be invested in such a way that Market Risk will be zero and the referencing undertaking does not take on any new insurance obligations. The SCRs in future time periods have been assumed to be directly proportional to the best estimate claims liabilities net of reinsurance recoverables at those points in time.

Sources of uncertainty

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made for the expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Company uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments.

In particular the following represents the main sources of uncertainty that may impact the outcome of the Company's technical provisions:

- Certain claims may turn out to be significantly longer, or shorter tailed than the whole book leading to an over- / underestimation of claims reserves. There is also a uncertainty around numbers and average cost of these claims.
- There is potential for IBNER to deteriorate to a greater extent than allowed for in the projections.
- New and unexpected claims types could impact the reserving methodology. This is partly allowed for in the company's provision for Events not in Data ("ENID").
- Uncertainty surrounding the development and cash flow patterns may impact the outcome of the Association's technical provisions.
- Currency and exchange rates are inherently uncertain and may impact the outcome of the final technical provisions amount.

D. Valuation for Solvency Purposes (continued)

D.2.Technical Provisions (continued)

Differences between GAAP and Solvency II technical provisions

A reconciliation of Statutory technical provisions to Solvency II technical provisions is shown in the table below:

		Gross	**RI**	**Net**
	Note	**UK£**	**UK£**	**UK£**
Statutory technical provisions		**2,111,101**	**1,907,016**	**204,085**
Eliminate contingency margin	1	(254,502)	(229,052)	**(25,450)**
Reallocation of amounts not yet due	2	(6,193)	(5,574)	**(619)**
Adjustment to expense management reserve	3	576,217	576,217	**-**
Provision for contracts bound but not incepted	4	(668,382)	(287,016)	**-** **381,366**
Reinsurance counterparty default adjustment	5	**-**	(91,225)	**91,225**
ENID adjustment	6	37,132	33,559	**3,573**
Effects of discounting	7	(254,283)	(235,246)	**(19,038)**
Solvency II technical provisions before risk margin		**1,541,090**	**1,668,679**	**(127,590)**
Risk Margin	1	270,999	-	**270,999**
Total Solvency II technical provisions		**1,812,088**	**1,668,679**	**143,409**

Notes

1. Contingency margin and Solvency II risk margin

Since the Solvency II technical provisions figure is a best estimate, margins for prudence are removed under the Solvency II valuation methodology. The Solvency II risk margin is intended to represent a notional market value adjustment as discussed above.

2. Reallocation of premiums not yet due

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

3. Adjustment to expense management reserve

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

D. Valuation for Solvency Purposes (continued)

D.2.Technical Provisions (continued)

Differences between GAAP and Solvency II technical provisions (continued)

4. Provision for contracts bound but not incepted
Solvency II valuation methodology requires contracts to be recognised when the insurer becomes party to the insurance contract. Usually, an undertaking becomes a party of the contract when the contract between undertaking and policyholder is legally formalised.

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

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

6. Events not in data
Solvency II requires that all possible outcomes are allowed for when setting the technical provisions. Therefore, an additional provision needs to be made for "events not in data", i.e. potential adverse claims outcomes that have not been observed to date and hence are not taken into account in assessing the claims provisions.

7. Effects of discounting
Since Solvency II technical provisions take into account the time value of money, an adjustment is made for the discounting of all future cash flows, based on risk-free interest rates.

D. Valuation for Solvency Purposes (continued)

D.3. Other Liabilities

Valuation of the Company's liabilities as at 20 February 2023:

	2023		2022	
	Solvency II UK£	Statutory UK£	Solvency II UK£	Statutory UK£
Insurance liabilities	1,812,088	2,147,695	1,350,632	1,427,765
Insurance & intermediary payables	15,317	20,891	38,939	38,939
Payables, trade not insurance	192,505	157,603	506,408	523,764
	2,019,911	2,326,189	1,895,979	1,990,468

The above table presents amounts at Solvency II and IFRS valuation bases respectively. For classification purposes the Solvency II classification of amounts has been used.

The Company' liabilities are valued using the following principles:

Technical provisions
Further detail on the Company's valuation policy for technical provisions may be found in D.2.

Reinsurance payables
These represent balances that are due to be paid for existing reinsurance contracts. When these amounts are not yet due to be paid, they are included as a future cash flow in the calculation of reinsurance technical provisions.

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

Insurance & Intermediaries payables
These represent balances payable on insurance contracts. Due to the short term nature of these balances, its carrying amount is considered a suitable proxy for fair value. There is no difference between the valuation for Solvency purposes and the valuation used in the Company's financial statements

Payables, trade not insurance
These balances include sundry, short term payable balances the value and settlement of which contains little to no uncertainty. Due to the short-term nature of these items, the carrying amount is considered to be a suitable proxy for its fair value.

There are no material differences between the valuation used for Solvency purposes and the valuation used in the Company's financial statements.

D. Valuation for Solvency Purposes (continued)

D.3. Other Liabilities (continued)

Any other liabilities not elsewhere shown

These balances represent sundry short term payables the carrying amount of which is considered a suitable proxy for fair value. There are no material differences between the valuation used for solvency purposes and the valuation used in the Company's financial statements.

D.4. Alternative Methods of Valuation

The Company does not utilise any material alternative methods of valuation.

D.5. Any Other Information

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

E. Capital Management

E.1 Own funds

	2023	2022
SCR ratio	211%	221%
SCR	1,804,279	1,520,443
Eligible own funds	3,798,138	3,363,136
Excess	1,993,859	1,842,693

MCR ratio	159%	159%
MCR	2,395,926	2,112,250
Eligible own funds	3,798,138	3,363,136
Excess	1,402,212	1,250,886

Tier 1 basic own funds	3,798,138	3,363,136
Tier 2 ancillary own funds	-	-

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

Tier 1 BOF contains no significant restrictions affecting the availability and transferability of these own funds.

Information, objectives, policies and processes for managing own funds

The Company's objective is that capital resources should exceed the Company's regulatory requirements. The Association forecasts its capital over a 3 year planning horizon.

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

The below table represents a reconciliation of Statutory equity reserves to Solvency II equity reserves.

	2023 UK£
Statutory reserves	**3,734,736**
Solvency II gross technical provisions adjustment	335,606
Of which amounts reallocated from statutory balance sheet	(33,868)
Solvency II RI technical provisions adjustment	(238,336)
Total Solvency II basic own funds	**3,798,138**

E. Capital Management (continued)

E.2 Solvency Capital Requirement and Minimum Capital Requirement

SCR and MCR

The below table summarises the capital requirements for the current period comparable to the previous period. Further details can be found in appendices S.25.01.

	2023 UK£
SCR	**1,804,279**
Made up of:	
Market risk	461,531
Underwriting & reserving risk	811,632
Counterparty default risk	960,846
Operational risk	77,049
Diversification benefit	(506,779)
MCR	**2,395,926**
MRC inputs	
Net written premium	2,430,632

The SCR has been calculated using the Solvency II Standard Formula and is subject to supervisory assessment. The Company does not use any simplifications or undertaking specific parameters to calculate the SCR.

The main risks that drive the SCR are underwriting and reserving risk. Underwriting risk stems from the insurance risk that the Group assumes through the course of its normal business activities and is increased by lapse risk associated with future business.

The Company's MCR is subject to the absolute floor of €2.5 million as mandated by EIOPA which is the very minimum amount that an MCR may be regardless of the results of the MCR calculation. Absent the mandated absolute floor, the Company's MCR would have been UK£451,070.

Further details on the calculation of the Company can be found in appendix S.28.01.

E. Capital Management (continued)

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

This sub-module is not used by the Company.

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

The Company uses only the standard formula.

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

The Company has fully complied with the SCR and MCR requirement during the period under review.

E.6 Any other information

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

Directors' Statement

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the Insurance and Reinsurance Services and other Related Issues Law of 2016, the Commission Delegated Regulation (EU) 2015/35, the Commission Delegated Regulation (EU) 2016/467, the Commission Delegated Regulation (EU) 2019/981, the relevant EU Commission's Implementing Regulations and the Relevant Order of the Superintendent of Insurance and the Solvency II Regulations (collectively "the Framework").

We are satisfied that:

a) throughout the financial year in question, the Company has complied in all material respects with the Framework as applicable to the insurer; and

b) it is reasonable to believe that the Company has continued to comply subsequently and will continue to comply in future.

Daniel John Evans

For and on behalf of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Limited

26 May 2023

Building a better working world

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Independent Auditor's Report

To the Board of Directors of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Limited

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

Opinion

We have audited the following Solvency II Quantitative Reporting Templates ("QRTs") contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015, of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Limited (the "Company"), prepared as at 20 February 2023:

- S.02.01.02 - Balance sheet
- S.17.01.02 – Non-Life Technical Provisions
- 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.28.02.01 - Minimum Capital Requirement – Both life and non-life insurance activity

The above QRTs are collectively referred to for the remainder of this report as "the relevant QRTs of the Solvency and Financial Condition Report".

In our opinion, the information in the relevant QRTs of the Solvency and Financial Condition Report as at 20 February 2023 is prepared, in all material respects, in accordance with the Insurance and Reinsurance Services and other Related Issues Law of 2016, the Commission Delegated Regulation (EU) 2015/35, the Commission Delegated Regulation (EU) 2016/467, the relevant EU Commission's Implementing Regulations and the relevant Orders of the Superintendent of Insurance (collectively "the Framework").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the relevant QRTs of the Solvency and Financial Condition Report in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of preparation. The Solvency and Financial Condition Report is prepared in compliance with the Framework, and therefore in accordance with a special purpose financial reporting framework. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The Board of Directors is responsible for the Other information. The Other information comprises certain narrative sections and certain QRTs of the Solvency and Financial Condition Report as listed below:

Narrative sections:

- Business and performance
- Valuation for solvency purposes
- Capital management

QRTs (contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015):

- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.19.01.21 - Non-Life insurance claims

Our opinion on the relevant QRTs of the Solvency and Financial Condition Report does not cover the Other information listed above and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Solvency and Financial Condition Report

The Board of Directors is responsible for the preparation of the Solvency and Financial Condition Report in accordance with the Framework.

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

In preparing the Solvency and Financial Condition Report, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the relevant QRTs of the Solvency and Financial Condition Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of the basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Solvency and Financial Condition Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

Our report is intended solely for the Board of Directors of the Company and should not be used by any other parties. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Stavros Pantzaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
26 May 2023

Appendix

The United Kingdom Freight Demurrage and Defence Insurance (Europe) Limited

Solvency and Financial Condition Report

Disclosures

20 February

2023

(Monetary amounts in GBP thousands)

General information

Undertaking name	The United Kingdom Freight Demurrage and Defence Insurance (Europe) Limited
Undertaking identification code	213800USL6J47FESOC07
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	CY
Language of reporting	en
Reporting reference date	20 February 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
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.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	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	3,254
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	1,243
R0140	*Government Bonds*	1,243
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	2,012
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	1,669
R0280	*Non-life and health similar to non-life*	1,669
R0290	*Non-life excluding health*	1,669
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	104
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	233
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	539
R0420	Any other assets, not elsewhere shown	19
R0500	**Total assets**	5,818

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	1,812
R0520	*Technical provisions - non-life (excluding health)*	1,812
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	1,541
R0550	*Risk margin*	271
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	15
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	193
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	2,020
R1000	**Excess of assets over liabilities**	3,798

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business										2,568							2,568
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share										1,806							1,806
R0200	Net										762							762
	Premiums earned																	
R0210	Gross - Direct Business										2,532							2,532
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share										1,776							1,776
R0300	Net										756							756
	Claims incurred																	
R0310	Gross - Direct Business										1,445							1,445
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share										1,307							1,307
R0400	Net										137							137
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net										0							0
R0550	**Expenses incurred**										589							589
R1200	**Other expenses**																	16
R1300	**Total expenses**																	605

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			DE	NL	FR	GR	MT	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	367	511	451	334	309	245	2,216
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	258	359	317	235	217	172	1,558
R0200	Net	109	152	134	99	92	73	658
	Premiums earned							
R0210	Gross - Direct Business	367	511	445	334	309	245	2,210
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	258	359	313	235	217	172	1,554
R0300	Net	109	152	132	99	92	73	656
	Claims incurred							
R0310	Gross - Direct Business	206	287	254	188	174	138	1,247
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	187	260	229	170	157	125	1,128
R0400	Net	20	27	24	18	17	13	119
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	65	90	80	59	55	43	392
R1200	**Other expenses**							16
R1300	**Total expenses**							408

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
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross										-756							-756
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default										-375							-375
R0150	**Net Best Estimate of Premium Provisions**										-381							-381
	Claims provisions																	
R0160	Gross										2,297							2,297
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default										2,044							2,044
R0250	**Net Best Estimate of Claims Provisions**										253							253
R0260	**Total best estimate - gross**										1,541							1,541
R0270	**Total best estimate - net**										-128							-128
R0280	**Risk margin**										271							271
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**										1,812							1,812
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**										1,669							1,669
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**										143							143

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** Accident Year

Gross Claims Paid (non-cumulative)

(absolute amount)

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2014	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2015	0	0	0	0	0	0	0	0	0			0	0
R0180	2016	0	0	0	0	0	0	0	0				0	0
R0190	2017	0	0	0	0	0	0	0					0	0
R0200	2018	0	0	0	0	0	0						0	0
R0210	2019	0	0	0	0	0							0	0
R0220	2020	0	0	0	0								0	0
R0230	2021	0	0	0									0	0
R0240	2022	246	441										441	687
R0250	2023	320											320	320
R0260												Total	762	1,008

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2014	0	0	0	0	0	0	0	0	0	0		0
R0170	2015	0	0	0	0	0	0	0	19	22			21
R0180	2016	0	0	0	0	0	0	0	0				0
R0190	2017	0	0	0	0	0	0	0					0
R0200	2018	0	0	0	0	0	3						3
R0210	2019	0	0	0	0	0							0
R0220	2020	0	0	0	5								5
R0230	2021	0	0	5									5
R0240	2022	1,802	856										796
R0250	2023	1,571											1,467
R0260												Total	2,297

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											0	0	0
R0160	2014	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2015	0	0	0	0	0	0	0	0	0			0	0
R0180	2016	0	0	0	0	0	0	0	0				0	0
R0190	2017	0	0	0	0	0	0	0					0	0
R0200	2018	0	0	0	0	0	0						0	0
R0210	2019	0	0	0	0	0							0	0
R0220	2020	0	0	0	0								0	0
R0230	2021	0	0	0									0	0
R0240	2022	0	0										0	0
R0250	2023	0											0	0
R0260												**Total**	0	0

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											0	0
R0160	2014	0	0	0	0	0	0	0	0	0	0		0
R0170	2015	0	0	0	0	0	0	0	0	0			0
R0180	2016	0	0	0	0	0	0	0	0				0
R0190	2017	0	0	0	0	0	0	0					0
R0200	2018	0	0	0	0	0	0						0
R0210	2019	0	0	0	0	0							0
R0220	2020	0	0	0	0								0
R0230	2021	0	0	0									0
R0240	2022	0	0										0
R0250	2023	0											0
R0260												**Total**	0

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)	20	20		0	
R0030	Share premium account related to ordinary share capital	3,640	3,640		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	138	138			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	3,798	3,798	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	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	3,798	3,798	0	0	0
R0510	Total available own funds to meet the MCR	3,798	3,798	0	0	
R0540	Total eligible own funds to meet the SCR	3,798	3,798	0	0	0
R0550	Total eligible own funds to meet the MCR	3,798	3,798	0	0	
R0580	**SCR**	1,804				
R0600	**MCR**	2,396				
R0620	**Ratio of Eligible own funds to SCR**	210.51%				
R0640	**Ratio of Eligible own funds to MCR**	158.52%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	3,798
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	3,660
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	138
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	756
R0790	**Total Expected profits included in future premiums (EPIFP)**	756

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	462		
R0020	Counterparty default risk	962		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	812		
R0060	Diversification	-507		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	1,728		

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	76
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	1,804
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	1,804
	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

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

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

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	50

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	762
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	50
R0310	SCR	1,804
R0320	MCR cap	812
R0330	MCR floor	451
R0340	Combined MCR	451
R0350	Absolute floor of the MCR	2,396
R0400	**Minimum Capital Requirement**	2,396