UK DEFENCE CLUB

Solvency and Financial Condition Report

For the year ended 20 February 2022

UKDC
IS MANAGED
BY **THOMAS
MILLER**

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Summary

This report covers the Business and Performance of The United Kingdom Freight Demurrage and Defence Association Limited ("UKFDD" (solo)). Collectively, the consolidated position is referred to as "the Group". It also covers the System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management under the requirements of the Solvency 2 regime.

The ultimate Administrative Body that has the responsibility for all of these matters is the Group'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 it reports its results in Pounds Sterling.

For solvency purposes the Group uses the standard formula to calculate its Solvency Capital Requirement ("SCR") and as a mutual insurer of the marine legal expense risks of its Members, the Group's insurance business is classified as legal expenses insurance for Solvency 2 purposes. All business is underwritten from the United Kingdom and Cyprus, however Members are dispersed internationally.

During the year under review the Group has shown a profit for the year of £0.08 million (2021: loss of £0.06 million) as reported in its annual financial statements under UK GAAP. The profit for the year was mainly the result of increased foreign currency gains. The profit for the year resulted in a free reserve of £4.81 million (2021: £4.73 million) which is further increased by £0.42 million (2021: £1.78 million) as a result of unmatured forward currency contracts that are included in the Group's hedging reserve and forms part of the Group's capital reserves.

This is the seventh year that the Group has returned premium to its Membership by way of a continuity credit scheme. During the year under review the Group has seen an decrease in premium levels driven by a strengthening in Sterling relative to US Dollars. To manage this risk the Group hedges its US Dollar premium income through the use of forward currency.

For solvency purposes the Group's total own funds stood at £11.1 million (2021: £11.6 million) which are supported by and include ancillary own funds, as approved by the Group's regulator and represent the capital benefit associated with UKFDD's ability to make a contingency call on its mutual Members. This resulted in eligible own funds of £11.1 million (£11.6 million) against an SCR of £4.4 million (£4.5 million) resulting in 252% coverage (2021: 276%) and eligible own funds of £8.9 million (2021: £9.5 million) against an Minimum Consolidated Group Solvency Capital Requirement of £4.2 million (2021: £4.5 million) resulting in 211% coverage (2021: 210%).

Summary (continued)

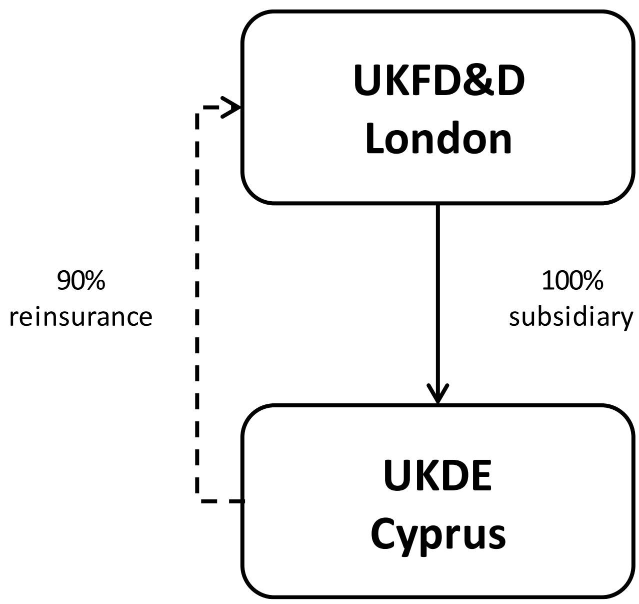
For SCR purposes UKFDD (solo basis) eligible own funds stood at £11.1 million (2021: 11.6 million) to cover the SCR standing at £4.4 million (2021: £4.4 million) resulting in a capital adequacy ratio of 244% (2021: 267%). In terms of UKFDD (Solo basis) MCR, eligible own funds stood at £8.8 million (2021: £9.5 million) against an MCR requirement of £2.2 million (2021: £2.1 million) resulting in coverage of the MCR of 419% (2020: 420%)

A. Business and Performance

A.1. Business

Corporate information
UKFDD is incorporated in the United Kingdom as a company limited by guarantee without share capital. In the event of the company's liquidation the net assets of UKFDD are to be distributed in proportion to the amount of contributions paid by Members during the preceding six years.

Group structure
At the year-end date, UKFDD was the parent company of the Group. The Group writes legal cost insurance on behalf of its Members and policyholders. UKFDD owns 100% of the share capital of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Limited ("UKDE") as detailed in the table below :



Regulation
The Group's regulators are:
- Prudential Regulation Authority ("PRA"): 20 Moorgate, London, EC2R 6DA, United Kingdom
- Financial Conduct Authority ("FCA"): 25 the North Colonnade, London, E14 5HS, United Kingdom.

UKDE is regulated by the Superintendent of Insurance in Cyprus located at Michael Karaoli & Gregori Afxentiou, 1439, Nicosia, Cyprus.

External auditors
The Group's external auditors are BDO LLP: 55 Baker Street, London W1U 7EU.

A. Business and Performance (continued)

Overview

The Group carries on the business of mutual insurance of its Members and policyholders against legal costs and expenses as defined in the Rules of the Association. UKDE reinsures 90% of its business to UKFDD which in turn reinsures 90 per cent of its business with The United Kingdom Defence Insurance Association (Isle of Man) Limited ("UKDIA"). This SFCR presents only the results of the Group, and excludes the results of UKDIA.

For Solvency 2 purposes the Group business is classified as legal expense insurance.

The number of ships entered in the Association at the year-end on 20 February 2022 was 4,127(3,259 owned and 868 chartered), compared with 3,766 (3,061 owned and 705 chartered) on 20 February 2021. In terms of tonnage, the Association insured 230.7 million tonnes at 20 February 2022 compared to 210.9 million tonnes at 20 February 2021.

A.2. Underwriting Performance

All of the Group business is underwritten from the UK and Cyprus, although Members are internationally dispersed. The Group writes the insurance of legal expenses. Because the Group covers movable risk, geographical analysis of location of risk is not feasible. For information on underwriting performance by material geographical area refer to Quantitative Reporting Template ("QRT") S.05.02.01 which shows a geographical analysis by Member location and forms part of the Group's annual regulatory reporting requirement.

For the year ended 20 February 2022, the Group produced an underwriting loss of £0.6 million (2021: profit of 1.7 million) as detailed further in the table below which is a summary of the Group's technical account reported on a UK GAAP basis.

Summary of technical account as at 20 February 2022:

	2022	**2021**
	£000s	**£000s**
Income and expenditure		
Net earned premium	10,002	12,029
Claims incurred, net of reinsurance	(5,679)	(5,644)
Net operating expenses	(4,965)	(4,695)
Balance on the technical account	(642)	1,690

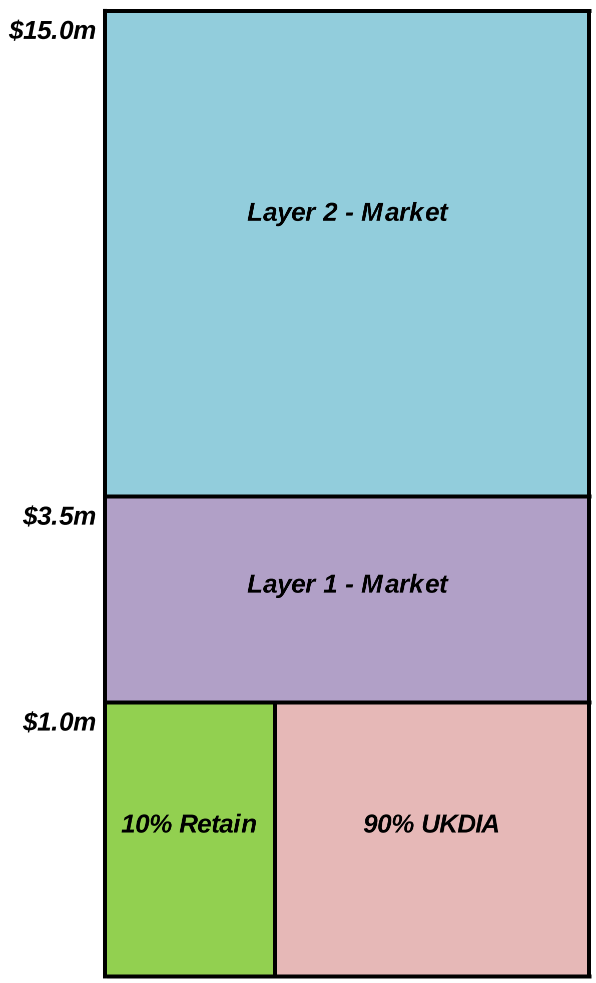
A. Business and Performance (continued)

The underwriting loss stems from a reduction in the Group's gross written premium and agreed discount on reinsurance premium given a stronger Sterling at the time of writing premium. This is however offset by gains on forward currency contracts which is not shown in the technical account.

Risk mitigation

The Group writes policies with a maximum policy limit of $15 million. The first $1.0 million of claims is retained by the Group after which claims of $14.0 million excess of the $1.0 million retention are reinsured on an excess of loss basis. Retained claims are further ceded to the Group's quota share reinsurer UKDIA on a 90% quota share basis. This arrangement is consistent with the prior year.

The below table illustrates the reinsurance programme of the Group:



Exposure to reinsurance counterparties within layers 1 and 2 is mitigated by the Group placing its external reinsurances with counterparties rated A- or better.

A. Business and Performance (continued)

On its 90% reinsurance programme, 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.

Most notably, given that UKDE has a license to write insurance business, EU policies are written by UKDE. UKDE cedes 90% of risks below $1 million and 100% of risks in excess of $1 million to UKFDD.

In addition, and as further discussed in the risk management section, the Group has continued the practice of hedging its future premium income received in USD against fluctuations in the GBP / USD exchange rate. Counterparties on hedging contracts are banking institutions rated A or better.

Other than the above, there have been no material changes to the Group's underwriting risk mitigation programme during the current year.

A.3. Investment Performance

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

Invested assets split by asset class as at 20 February 2022

	2022 £000s	**2021 £000s**
Asset class		
Short term deposit funds	2,487	653
Foreign exchange security deposit	3,861	3,855
Fixed income securities	1,450	-
Cash and cash equivalents	4,107	4,025
Derivative financial instruments	593	2,109
	12,498	10,642

The following table details the Group's investment income by asset class as reported in the Group's UK GAAP financial statements:

A. Business and Performance (continued)

Investment return split by asset class as at 20 February 2022:

	2022 £000s	2021 £000s
Asset class		
Bank deposits	6	10
Short term deposit funds	-	1
	6	11

Expenses related to the management of these investments were £0.04 million for the year (2021: £0.02 million).

As previously mentioned, the Group uses forward currency contracts to hedge the foreign exchange risks that it is exposed to as a result of future income being received in US Dollars. Future premium income is regarded as a highly probable forecast transaction and is designated as a hedged item. Forward currency contracts in relation to the hedged item are designated as a hedging instrument.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges of a highly probable forecast transaction is recognised directly within equity as other comprehensive income in the UK GAAP financial statements. The gain or loss relating to any ineffective portion is recognised immediately in the consolidated income and expenditure account.

A.4. Performance from other Activities

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

A.5. Any other Information

Overall the Group produced an accounting profit of £0.06 million (2021: loss of £0.06 million) for the year resulting in an accumulated surplus of £4.81 million (2021: £4.73 million) in the UK GAAP financial statements. The UK GAAP financial statements additionally showed a cash flow hedging reserve of £0.42 million (2021: £1.78 million) which is the value attributed to derivatives designated as cash flow hedges. This resulted in total comprehensive loss for the year of £1.28 million (2021: profit £2.22 million).

A. Business and Performance (continued)

Impact of COVID-19 on the Group

COVID-19 emerged in December 2019, and was classified as a global pandemic in March 2020. Since the emergence of COVID-19, the Group has not seen any material impact to its business operations. The Group has seen a some cases opened which directly or indirectly relate to COVID-19, however the Group do not consider these claims to be in excess of expectations or to represent a trend of a material increase in claims cost. Operationally, the Group has effectively implemented remote working arrangements and was able to seamlessly continue to service its Members. From an underwriting point of view, the Group has seen no material defaults in premium obligations and the Group most recent renewal is considered to have been conducted very successfully under remote working conditions. Finally, given that the Group is mostly invested in low risk assets, the Group's invested assets have performed satisfactorily during the past year.

Impact of the Russian invasion of Ukraine on the Group

On 24 February 2022, Russian troops started invading Ukraine. In response, multiple jurisdictions have imposed economic sanctions on Russia. 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 Association 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 could impact the Association's ability to recover premiums from Members, and pay claims to Members. The Association could be also impacted by adverse movements in foreign exchange rates and on the investment portfolio holds. It should however be noted that the Association's Russian Membership represents an immaterial proportion of its overall book, and as such the crisis in Ukraine is not expected to impact the Association's year end and cash flow position, nor the Association's assumption around going concern. The Association continues to keep the position under review and ensures compliance with sanction measures whilst acting for the benefit of its overall Membership.

As such, the Group does not consider the above to have any significant impact on its ability to continue as a going concern.

B. System of Governance

B.1. General Information on the System of Governance

The Board of Directors
Ultimate responsibility for the governance of The Group rests with the Board of Directors. The Group's Directors are generally drawn from senior individuals within the Membership. In practice the Board of Directors comprises 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 Members of the Group. The Directors meet four times a year.

Governance, risk management and internal control and reporting procedures are consistent across all entities within the Group through use of consistent policy and procedural documentation.

The Board of Directors may delegate any of its powers, duties or discretions to committees consisting of such Directors as it sees fit. 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.

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 Group.

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

Strategy Committee
The Strategy Committee considers the Group's future strategy.

Nominations Committee
The Nominations Committee considers the composition of the Board and its Committees.

B. System of Governance (continued)

Key functions

The Managers
The Group has no employees and as such the Board of Directors relies on the Managers for the day-to-day management duties of the Group. 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 Group.

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 Group and have a representative on the Board of Directors.

The Investment Managers
Investment of the Group'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 Group.

Governance Map
The Group maintains a governance map that details the key Senior Manager Functions and Key Functions. The following functions are maintained through the governance map with a prescribed set of responsibilities:

- Chair (Board)
- Chief Executive Officer (Board / Managers)
- Chief Operations (Manager)
- Chief Financial Officer (Managers)
- Chief Risk Officer (Managers)
- Head of Internal Audit (Managers)
- Chair of Audit, Regulatory and Risk Committee (Board)
- Chair of Nominations Committee (Board)
- Chief Actuary (Managers)
- Chief Underwriting Officer (Managers)
- Claims Function (Managers)
- Investment Manager (Managers)
- Compliance Oversight (Managers)
- Money Laundering Officer (Managers)

B. 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 Group 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 Group has no share capital and is controlled by the Members who are also the insureds. The subsequent insurance transactions are consequently deemed to be between related parties, but these are the only transactions between the Group and the Members.

All, but one, of the Directors are current representatives of Member companies and other than the insurance, which is arranged on an arm's length basis, and Member interests of these companies, the Directors have no financial interests in the Group.

The Group reinsures with UKDIA on a 90% quota share basis. All Members of the Group are automatically also Members of UKDIA. However, none of the Directors of the Group are Directors of UKDIA. Additionally, UKDIA operates under a separate governance and operational structure, has its own rulebook, and is therefore not considered to be a related party of the Group.

Internally, UKDE cedes 90% of its risks to UKFDD who is also the parent company.

B.2. Fit and Proper Requirements

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

B. System of Governance (continued)

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.

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 Group's affairs effectively.

B.2. Fit and Proper Requirements

The Fit and Proper policy applies to:

- All Directors of the Group;
- 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.

All persons within the scope of the policy are assessed against the requirements of the Senior Managers Certification Regime ("SMCR"). 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 Chair, 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 Group uses a Risk Management Framework to design an effective risk management system with an integrated approach to risk management and the application of the three lines of defence:

- 1st line of defence: business units, 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:

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 Group 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.

B. System of Governance (continued)

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.

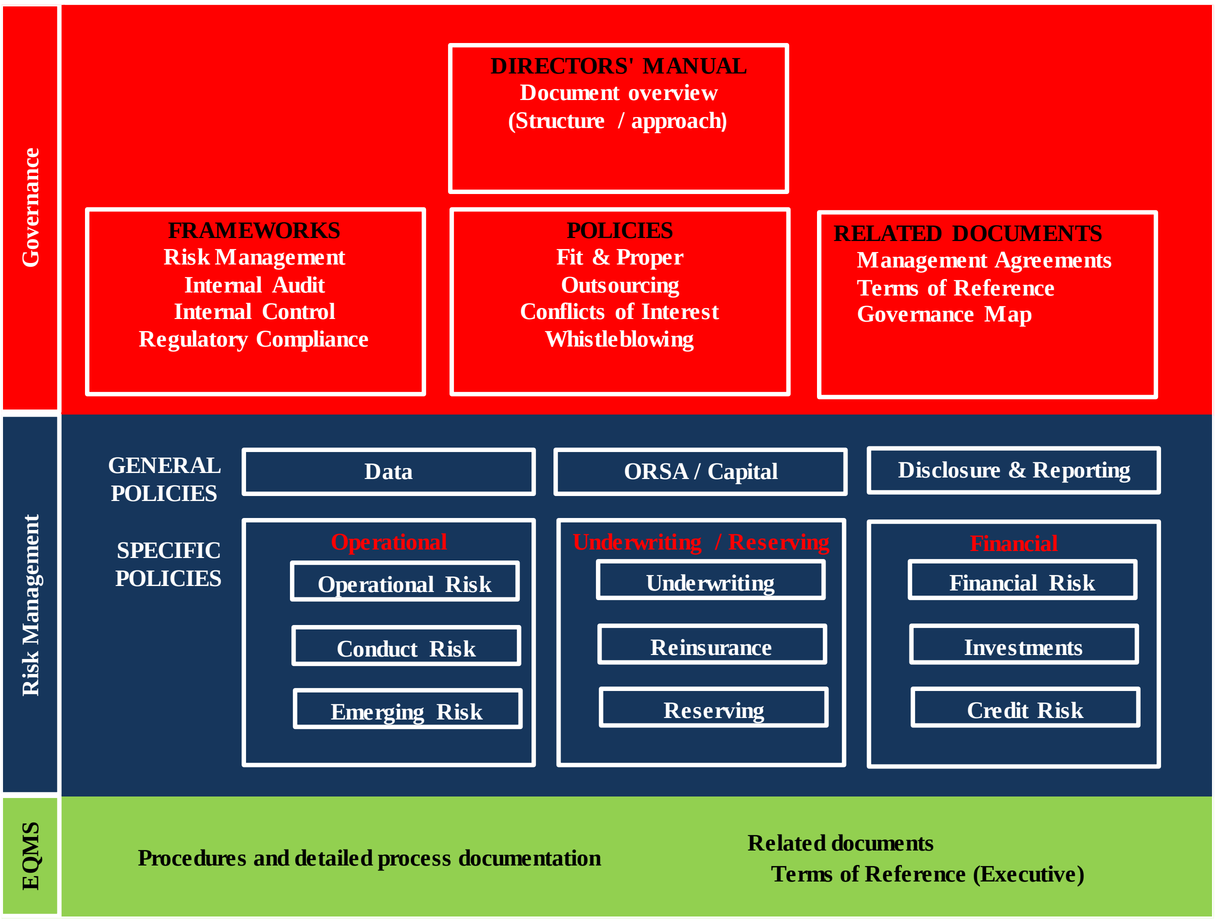
Risk Policies and Procedures

The Group'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.

B. System of Governance (continued)

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



Risk Appetite

The Group'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 Group'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 Group'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)

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 Group. 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 Group's Board of Directors and senior management of the Group 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 Group. The key risks affecting the Group 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 Group prepares an ORSA overview report. The ORSA is the process used by the Group 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 Group's Corporate Planning Process.

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 Group 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 Group is adequately capitalised.

B. System of Governance (continued)

Risk Controls

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

Whereas ultimate control for each risk rests with the Board 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 Group'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 Managers' 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 Group's Risk Officer who oversees risk management; provides independent challenge; and has direct access to the Chair of the Audit, Regulatory & Risk Committee. The Risk Management Function maintains an organisation-wide and aggregated view of the risk profile of the Group, including monitoring risk tolerances against appetite, and advising on how risks might impact the business singly and in combination.

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

B. System of Governance (continued)

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.

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

B. System of Governance (continued)

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

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

The Internal Audit function of the Group 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.

B. System of Governance (continued)

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.

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.

B. System of Governance (continued)

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

The Actuarial Function undertakes all responsibilities as required by Solvency 2, 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.7. Outsourcing

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

Material business activities include the key functions of the Group'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 Group 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 Group's investments is outsourced to Thomas Miller Investment Limited, part of the Thomas Miller group of companies, under an investment Management Agreement.

B. System of Governance (continued)

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

Internal audit outsourcing
The Group'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

The Group considers no other information material to be disclosed.

C. Risk Profile

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

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

C.1. Underwriting Risk

The Group is a mono-line insurer, underwriting only legal expense insurance for ship owners or operators.

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

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

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 ORSA process.

Underwriting Risk is mitigated via the Group's reinsurance programme which covers claims in excess of $1.0 million. Of the $1.0 million per claim retained by the Group, 90% of the risk is covered by the Group's quota share reinsurer, UKDIA.

Underwriting Risk is most sensitive to an increase in expected claims costs. For example, a 5% increase in the Group's gross loss ratio will reduce the gross accounting surplus for the Group by £0.86 million on a gross basis and £0.09 million on a net basis. A 5% decrease to the loss ratio will have an equal, but opposite effect.

C. Risk Profile (continued)

C.2. Market Risk

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

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

Currency risk is a key risk for the Group as it primarily receives its premium income in US Dollars, but much of its outgoings are in Sterling or Euros. The Group uses forward contracts to mitigate this risk. In addition, the Group utilises an investment mandate that matches the currency of its assets and liabilities.

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

As at 20 February 2022	**Sterling** £'000	**US Dollar** £'000	**Euro** £'000	**Total** £'000
Short term deposit funds	2,200	287	-	2,487
Foreign exchange security deposit	3,861	-	-	3,861
Fixed income securities	1,450	-	-	1,450
Net derivative financial instruments	28,681	(28,088)	-	593
Reinsurers' share of technical provisions	17,689	4,297	3,985	25,971
Unearned reinsurance premium	153	-	-	153
Debtors	153	306	11	470
Deferred acquisition costs	30	-	-	30
Cash and cash equivalents	2,907	560	640	4,107
Technical provisions	(19,514)	(4,731)	(4,395)	(28,640)
Unearned premium	(200)	-	-	(200)
Creditors	(4,717)	(66)	(273)	(5,056)
	32,693	(27,435)	(32)	5,226

C. Risk Profile (continued)

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.

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 Group's annual financial statements. The credit rating bands are provided by independent ratings agencies:

C. Risk Profile (continued)

As at 20 February 2022	AAA	AA - A	BBB	Not rated / not readily available	Total
	£'000	£'000	£'000	£'000	£'000
Short term deposit funds	2,487	-	-	-	2,487
Foreign exchange security deposit	-	3,861	-	-	3,861
Fixed income securities	-	1,450	-	-	1,450
Derivative financial instruments	-	734	-	-	734
Reinsurers' share of technical provisions	-	1,947	-	24,177	26,124
Deferred acquisition costs	-	-	-	30	30
Debtors	-	-	-	470	470
Cash and cash equivalents	-	4,107	-	-	4,107
Total assets subject to credit risk	2,487	12,099	-	24,677	39,263

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

The Group's exposure to unrated counterparties primarily relates to its 90% quota share arrangement with UKDIA. The Group benefits from debentures over UKDIA's assets, which mitigates the risk substantially. Exposure to other reinsurance counterparties is mitigated by the Group placing such reinsurances with counterparties rated A- or better.

Exposure to debtors is mainly in respect of calls and premium contributions. This is spread over a large number of Members and counterparties, which mitigates the risk. In addition, the Group carries out financial checks on existing and potential Members. Exposure to bank balances, however, is more concentrated, with two main counterparties and the risk is mitigated by placing funds surplus to normal operational requirements in money market funds and other investments.

C.4. Liquidity Risk

Liquidity risk is the risk that the Group is unable to make payments as they become due. This is managed by the use of liquid investments and under the terms of the reinsurance agreement to call upon the Group's quota share reinsurer, UKDIA, in the event of a significant outflow of funds. The Group also has the benefit of a legal charge in the form of debentures over UKDIA's investments and other assets.

The following table provides a maturity analysis of the Group'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 Group's annual financial statements:

C. Risk Profile (continued)

As at 20 February 2022	Within 1 year	1 to 5 years	Over 5 years	Total
Assets and liabilities	£'000	£'000	£'000	£'000
Short term deposit funds	2,487	-	-	2,487
Foreign exchange security deposit	3,861	-	-	3,861
Fixed income securities	1,450	-	-	1,450
Derivative financial instruments	667	(74)	-	593
Reinsurers' share of technical provisions	7,483	14,978	3,663	26,124
Deferred acquisition costs	30	-	-	30
Debtors	470	-	-	470
Cash and cash equivalents	4,107	-	-	4,107
Technical provisions	(8,284)	(16,517)	(4,039)	(28,840)
Creditors	(5,056)	-	-	(5,056)
Total	7,215	(1,613)	(376)	5,226

The amount of gross expected profits included in future premium is as per the Solvency 2 balance sheet is £4.1 million. However, it should be noted that the Solvency 2 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 Group 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 Group considers relevant for reporting.

C. Risk Profile (continued)

C.7. Stress and scenario testing

The Group carries out stress and scenario testing as part of its risk management and ORSA process. For management purposes stress and scenario testing are carried out including the results of UKDIA.

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. The following scenarios are included in the Group's latest ORSA and assessed against the Group's risk corridor:

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. Continued impact of a pandemic
5. Impact of a cyber security breach.
6. Significant adverse claims development as a result of a large number consecutive insolvencies
7. Impact of climate change on sustainability of Membership
8. Major currency movement
9. War event

Scenario's 1 to 5 highlighted that the Group 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 Group to break out of the bottom of its risk corridor, none of these scenarios caused the Group's capital resources to fall below its 1-in-200 capital requirement.

C.8. Any Other Information

The Group 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 2 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 2 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 Group prepares its financial statements under UK GAAP and FRS 102 and 103.

Given that this is the first year that Solvency 2 figures are presented on a Group basis, no comparative figures are shown.

The Solvency 2 balance sheet is presented in S.02.01.02. A summary of assets is shown in the table below.

Valuation of the Group's assets as at 20 February 2022:

	2022		**2021**	
	Solvency 2 £000s	**UK GAAP £000s**	**Solvency 2 £000s**	**UK GAAP £000s**
Deferred acquisition costs	-	30	-	-
Investments	6,489	6,489	3,198	3,198
Derivatives	734	734	2,109	2,109
Reinsurance share of technical provisions	20,682	26,124	20,387	25,084
Insurance receivables	121	496	169	262
Receivables, trade not insurance	36	36	72	72
Cash and cash equivalents	5,417	5,417	5,335	5,335
Any other assets not elsewhere shown	39	39	50	50
	33,517	39,364	31,320	36,110

The above table presents amounts at Solvency 2 and UK GAAP valuation bases respectively. For classification purposes the Solvency 2 classification of amounts has been used. Most notably, certain amounts recognised as investments under Solvency 2 would be recognised as cash and cash equivalents under UK GAAP.

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

D. Valuation for Solvency Purposes (continued)

Investments

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

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

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

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

Derivatives – forward currency contracts

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

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

The Group currently has a number of forward currency contracts that relate to hedging the currency exposure on future premiums that are not recognised on the GAAP balance sheet. These are recognised on the Solvency 2 balance sheet.

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

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.

Deposits other than Cash equivalents

These amounts represent foreign exchange security deposits and are carried at market value in accordance with the valuation methodology of investments noted above.

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

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 Group'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 2 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 or in hand, deposits held at call with banks and other short term highly liquid investments. 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 Group'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 Group's financial statements.

D. Valuation for Solvency Purposes (continued)

D.2.Technical Provisions

Net technical provisions as at 20 February 2022:

	2022 £000s	2021 £000s
Gross best estimate	19,324	19,861
Risk margin	324	221
Reinsurance best estimate	(20,682)	(20,387)
Net technical provisions	(1,034)	(305)

The Group'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 2 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 Group 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 Group 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.

D. Valuation for Solvency Purposes (continued)

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).

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 Group 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 Group uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments.

D. Valuation for Solvency Purposes (continued)

In particular the following represents the main sources of uncertainty that may impact the outcome of the Group'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 Group's provision for Events not in Data ("ENID").
- Uncertainty surrounding the development and cash flow patterns may impact the outcome of the Group's technical provisions.
- Currency and exchange rates are inherently uncertain and may impact the outcome of the final technical provisions amount.

Differences between GAAP and Solvency 2 technical provisions

A reconciliation of UK GAAP technical provisions to Solvency 2 technical provisions is shown in the table below:

	note	**Gross £000s**	**RI £000s**	**Net £000s**
UK GAAP technical provisions		**28,840**	**26,124**	**2,716**
Eliminate contingency margin	1	(5,059)	(4,553)	(506)
Eliminate unearned premium	1	(200)	(153)	(47)
Reallocation of amounts not yet due	2	(376)	(338)	(38)
Adjustment to expense management reserve	3	228	206	23
Provision for contracts bound but not incepted	4	(3,956)	(476)	(3,480)
Reinsurance counterparty default adjustment	5	-	(1)	1
ENID adjustment	6	372	339	33
Effects of discounting	7	(526)	(466)	(60)
Solvency 2 technical provisions before risk margin		**19,325**	**20,682**	**(1,357)**
Risk Margin	1	324	-	324
Total Solvency 2 technical provisions		**19,648**	**20,682**	**(1,033)**

Notes

1. Contingency margin and Solvency 2 risk margin and unearned premium

Since the Solvency 2 technical provisions figure is a best estimate, margins for prudence are removed under the Solvency 2 valuation methodology. The Solvency 2 risk margin is intended to represent a notional market value adjustment as discussed above.

D. Valuation for Solvency Purposes (continued)

In addition, any unearned premium is eliminated from the Solvency II balance sheet. All unexpired risks are included in the premium provision.

2. Reallocation of premiums not yet due
Under Solvency 2 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 2 technical provisions. As a result, any amounts not yet due on the UK GAAP balance sheet is reallocated from receivable premium to technical provisions on the Solvency 2 balance sheet.

3. Adjustment to expense management reserve
Unlike UK GAAP, Solvency 2 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.

4. Provision for contracts bound but not incepted
Solvency 2 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 Group's policies are coterminous with its financial year. The consequence is that nearly a full year's worth of business is recognised as Bound But Not Incepted ("BBNI") business. A provision on the Solvency 2 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 2 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.

There is no expected reinsurance default in respect of the amounts recoverable from the Group's quota share reinsurer, UKDIA, due to debentures which the Group has over UKDIA's assets.

6. Events not in data
Solvency 2 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.

D. Valuation for Solvency Purposes (continued)

7. Effects of discounting
Since Solvency 2 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.3. Other Liabilities

Valuation of the Group's liabilities as at 20 February 2022

	2022		**2021**	
	Solvency 2 £000s	**UK GAAP £000s**	**Solvency 2 £000s**	**UK GAAP £000s**
Derivatives	141	141	-	-
Technical provisions	19,648	28,840	20,082	27,759
Insurance & intermediaries payables	387	387	232	232
Reinsurance payables	4,079	4,417	1,115	1,198
Payables, trade not insurance	355	355	422	422
Any other liabilities, not elsewhere shown	0	0	0	0
	24,610	34,141	21,851	29,611

The above table presents amounts at Solvency 2 and UK GAAP valuation bases respectively. For classification purposes the Solvency 2 classification of amounts has been used.

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

Derivatives
Further detail on the Group's valuation policy for derivatives may be found in D.1.

Technical provisions
Further detail on the Group'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.

D. Valuation for Solvency Purposes (continued)

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 Group'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 Group's financial statements.

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 Group's financial statements.

D.4. Alternative Methods of Valuation

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

D.5. Any Other Information

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

E. Capital Management

E.1 Own funds

All amounts are in thousands of pounds unless otherwise stated

	2022	2021
SCR ratio	252%	276%
SCR	4,403	4,185
Eligible own funds	11,109	11,563
Excess	7,378	7,378
Minimum Consolidated Group SCR ratio	211%	210%
Minimum Consolidated Group SCR	4,225	4,510
Eligible own funds	8,908	9,471
Excess	4,961	4,961
Tier 1 basic own funds	8,908	9,471
Tier 2 ancillary own funds	2,201	2,092

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

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

   Tier 1 BOF are shown net of the Group's cash flow hedging reserve and contains no significant restrictions affecting the availability and transferability of these own funds.

2. The PRA has granted an approval for a method of calculation of ancillary own funds ("AOF") to UKFDD, by way of contingency calls. The method which results in AOFs of £2.1 million has been approved for a period of 4 years.

   Under the Solvency 2 regulations, up to 50% of the SCR may be covered by these funds.

E. Capital Management (continued)

Information, objectives, policies and processes for managing own funds

The Group's objective is that capital resources should exceed the Group's regulatory requirements. The Group 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 UK GAAP reserves to Solvency 2 own funds.

	2022 £000s
UK GAAP reserves	**5,226**
Solvency 2 gross technical provisions adjustment	9,192
Of which amounts reallocated from UK GAAP balance sheet to technical provisions	(38)
Solvency 2 Reinsurance technical provisions adjustment	(5,443)
Elimination of deferred acquisition costs	(30)
Total Solvency 2 basic own funds	**8,907**

The most material adjustment to reserves is as a result of the differences in valuation of technical provisions which has been further discussed in D.2.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

SCR

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

	2022 **£000s**	**2021** **£000s**
SCR	**4,403**	**4,185**
<u>*Made up of*</u>		
Market risk	2,864	2,758
Underwriting & reserving risk	1,605	1,325
Counterparty default risk	441	525
Operational risk	580	596
Diversification benefit	(1,088)	(1,018)

The SCR has been calculated using the Solvency 2 Standard Formula and is subject to supervisory assessment. The Group does not use any simplifications or undertaking specific parameters to calculate the SCR.

E. Capital Management (continued)

The main risks that drive the SCR are market risk and underwriting and reserving risk. Market risk arise mainly as a result of the Group's hedging programme on premium in future years where the hedge has been entered into, but no corresponding premium entry exist at present. 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 Group SCR has increased by £218,000, mainly as a result of an increase in the underwriting and reserving risk module which is as a result of an increase in lapse risk. Lapse risk has increased due to an increase in premium bound but not incepted included in premium provisions.

The Group's Minimum Consolidated Group SCR of £4.2 million is an amount similar to the Group's SCR given that both the entities within the Group has calculated their MCR subject to the absolute floor for the MCR which amounts to £2.1 million for each entity. Absent the mandated absolute floor, the Minimum Consolidate Group SCR would be materially lower.

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 Group.

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

The Group uses only the standard formula.

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

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

E.6 Any other information

The Group 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 PRA Rules and the Solvency 2 Regulations.

We are satisfied that:

a) throughout the financial year in question, the Group and UKFDD has complied in all material respects with the requirements of the PRA Rules and the Solvency 2 Regulations as applicable to the insurer; and
b) it is reasonable to believe that the Group and UKFDD has continued to comply subsequently and will continue to comply in future.

C.R. Kendall

For and on behalf of The United Kingdom Freight Demurrage and Defence Association Limited
23 June 2022

Report of the external independent auditor to the Directors of The United Kingdom Freight Demurrage and Defence Association Limited

Report of the external independent auditor to the Directors of The United Kingdom Freight Demurrage and Defence Association Limited pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms.

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

Opinion

Except as stated below, we have audited the following documents prepared by The United Kingdom Freight Demurrage and Defence Association Limited ('UKFDD') and United Kingdom Freight Demurrage and Defence Insurance (Europe) Limited (together 'the Group') as at 20 February 2022:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of The United Kingdom Freight Demurrage and Defence Association Limited as at 20 February 2022, ('**the Narrative Disclosures subject to audit**');

- Group templates S.02.01.02, S.23.01.22, S.25.01.22 and S.32.01.22 ('**the Group Templates subject to audit**'); and

- UKFDD Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21, S.28.01.01 ('**the Company Templates subject to audit**').

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

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

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;

- Group templates S.05.01.02 and S.05.02.01.

- UKFDD Company templates S.05.01.02, S.05.02.01, S.19.01.21;

- the written acknowledgement by management of their responsibilities, including for the preparation of the solvency and financial condition report ('**the Responsibility Statement**').

Report of the external independent auditor (continued)

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

In our opinion, the information subject to audit in the relevant elements of the Group Solvency and Financial Condition and the relevant templates of the Group and UKFDD as at 20 February 2022 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determination.

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

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the SFCR is not appropriate; or

- the directors have not disclosed in the SFCR any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the SFCR is authorised for issue.

Emphasis of Matter – Basis of Accounting
We draw attention to the 'Valuation for solvency purposes' section of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Group Solvency

Report of the external independent auditor (continued)

and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Other Information
The Directors are responsible for the Other Information.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Group Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a

Report of the external independent auditor (continued)

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Group Solvency and Financial Condition Report.

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

Report on Other Legal and Regulatory Requirements.
In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of The United Kingdom Freight Demurrage and Defence Association Limited statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

05 July 2022

Appendix – UKFDD Solo information

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

UKFDD Solo valuation for Solvency Purposes

1. **Solo Assets**

	2022		2021	
	Solvency 2 £000s	**UK GAAP £000s**	**Solvency 2 £000s**	**UK GAAP £000s**
Deferred acquisition costs	-	30	-	-
Investments	6,649	6,649	4,052	3,813
Derivatives	750	750	2,109	2,109
Reinsurance share of technical provisions	20,682	26,124	20,387	25,084
Insurance receivables	102	476	169	262
Receivables, trade not insurance	47	47	73	73
Cash and cash equivalents	5,278	5,278	4,757	4,757
Any other assets not elsewhere shown	34	34	29	29
	33,542	39,388	31,576	36,127

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

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

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

In terms of UKFDD's investment in its subsidiary, UKDE, under FRS this investment is valued at cost less provision for any impairment, whereas on a Solvency II basis, the value of the investment is determined on a look-through valuation basis which considers the underlying Solvency II balance sheet of UKDE.

Appendix – UKFDD Solo information (continued)

UKFDD Technical provisions

	2022 £000s	2021 £000s
Gross best estimate	19,627	20,200
Risk margin	144	132
Reinsurance best estimate	(20,682)	(20,387)
Net technical provisions	(911)	(55)

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

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

Differences between FRS and Solvency II technical provisions

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

	Notes	Gross £000s	Reinsurance £000s	Net £000s
GAAP technical provisions		**28,698**	**26,124**	**2,573**
Eliminate contingency margin	1	(5,041)	(4,552)	(489)
Eliminate unearned premium	1	(200)	(153)	(47)
Reallocation of amounts not yet due	2	(374)	(338)	(36)
Adjustment to expense management reserve	3	228	206	23
Provision for contracts bound but not incepted	4	(3,531)	(476)	(3,054)
Reinsurance counterparty default adjustment	5	0	(1)	1
ENID adjustment	6	369	339	30
Effects of discounting	7	(523)	(466)	(57)
Solvency II technical provisions before risk margin		**19,627**	**20,682**	**(1,056)**
Risk Margin	1	144	0	144
Total Solvency II technical provisions		**19,770**	**20,682**	**(912)**

1. Contingency margin and Solvency 2 risk margin

Since the Solvency 2 technical provisions figure is a best estimate, margins for prudence are removed under the Solvency 2 valuation methodology. The Solvency 2 risk margin is intended to represent a notional market value adjustment as discussed above.

Appendix – UKFDD Solo information (continued)

2. Reallocation of premiums not yet due
Under Solvency 2 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 2 technical provisions. As a result, any amounts not yet due on the UK GAAP balance sheet is reallocated from receivable premium to technical provisions on the Solvency 2 balance sheet.

3. Adjustment to expense management reserve
Unlike UK GAAP, Solvency 2 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.

4. Provision for contracts bound but not incepted
Solvency 2 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 UKFDD'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 2 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 2 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.

There is no expected reinsurance default in respect of the amounts recoverable from the Group's quota share reinsurer, UKDIA, due to debentures which UKFDD has over UKDIA's assets.

6. Events not in data
Solvency 2 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.

Appendix – UKFDD Solo information (continued)

7. Effects of discounting
Since Solvency 2 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.

UKFDD Other liabilities

	2022		2021	
	Solvency 2 £000s	**UK GAAP £000s**	**Solvency 2 £000s**	**UK GAAP £000s**
Derivatives	141	141	-	-
Technical provisions	19,771	28,698	20,333	27,759
Insurance & intermediaries payables	348	348	232	232
Reinsurance payables	4,079	4,417	1,115	1,198
Payables, trade not insurance	176	176	358	358
Any other liabilities, not elsewhere shown	187	187	68	68
	24,703	33,968	22,106	29,616

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

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

UKFDD Capital Management

	2022	**2021**
SCR ratio	244%	267%
SCR	4,555	4,361
Eligible own funds	11,117	11,651
Excess	6,562	7,290
MCR ratio	419%	420%
MCR	2,112	2,255
Eligible own funds	8,840	9,470
Excess	6,728	7,215
Tier 1 basic own funds	8,840	9,470
Tier 2 ancillary own funds	2,277	2,181

Appendix – UKFDD Solo information (continued)

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

The PRA has granted an approval for a method of calculation of ancillary own funds ("AOF") to UKFDD. The method results in eligible AOFs of £2.2 million.

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

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

	2022 £000s
UK GAAP reserves	**5,217**
Solvency II gross technical provisions adjustment	8,927
Of which amounts reallocated from UK GAAP balance sheet	(36)
Solvency II RI technical provisions adjustment	(5,443)
Eliminate deferred acquisition costs	(30)
Solvency II valuation adjustment of investment in subsidiary	204
Total Solvency II basic own funds	**8,840**

The most material adjustment to reserves is as a result of the differences in valuation of technical provisions which has been further discussed above.

In addition, a Solvency II revaluation relating UKFDD's investment in its subsidiary is shown, which is further discussed in the section on valuation of investments above.

UKFDD Solvency Capital Requirement and Minimum Capital Requirement

	2022 £000s	**2021 £000s**
SCR	**4,555**	**4,361**
Made up of		
Market risk	3,327	3,111
Underwriting & reserving risk	1,158	1,205
Counterparty default risk	429	352
Operational risk	589	606
Diversification benefit	(948)	(913)
MCR	**2,112**	**2,255**
MCR inputs		
Net written premium	9,679	12,028

Appendix – UKFDD Solo information (continued)

UKFDD's SCR has increased by £194,000 when compared to the previous year. This is mainly due to small increases in market and counterparty default risks.

In terms of UKFDD's MCR, this has remained relatively stable when compared to the prior year, given that UKFDD's MCR is subject to the absolute floor as mandated by EIOPA. Net written premium has seen a decrease when compared to prior year which is mainly as a result of fluctuations in exchange rates and an increase in the agreed discount on reinsurance premiums.

Appendix – Quantitative Reporting Templates

The United Kingdom Freight Demurrage and Defence Association Limited

Solvency and Financial Condition Report

Disclosures

20 February

2022

(Monetary amounts in GBP thousands)

General information

Participating undertaking name	The United Kingdom Freight Demurrage and Defence Association Limited
Group identification code	2138003OSX6Y4JS3YP47
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	20 February 2022
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.23.01.22 - Own Funds
S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
S.32.01.22 - Undertakings in the scope of the group

S.02.01.02
Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	7,222
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*	1,450
R0140	*Government Bonds*	1,450
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	2,487
R0190	*Derivatives*	734
R0200	*Deposits other than cash equivalents*	2,551
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:	20,682
R0280	*Non-life and health similar to non-life*	20,682
R0290	*Non-life excluding health*	20,682
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	121
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	36
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	5,417
R0420	Any other assets, not elsewhere shown	39
R0500	**Total assets**	33,518

S.02.01.02
Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	19,648
R0520	*Technical provisions - non-life (excluding health)*	19,648
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	19,324
R0550	*Risk margin*	324
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	141
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	387
R0830	Reinsurance payables	4,079
R0840	Payables (trade, not insurance)	355
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**	24,610
R1000	**Excess of assets over liabilities**	8,908

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											Total
		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	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0200
	Premiums written												
R0110	Gross - Direct Business										17,268		17,268
R0120	Gross - Proportional reinsurance accepted										0		0
R0130	Gross - Non-proportional reinsurance accepted												0
R0140	Reinsurers' share										7,219		7,219
R0200	Net										10,049		10,049
	Premiums earned												
R0210	Gross - Direct Business										17,068		17,068
R0220	Gross - Proportional reinsurance accepted										0		0
R0230	Gross - Non-proportional reinsurance accepted												0
R0240	Reinsurers' share										7,066		7,066
R0300	Net										10,002		10,002
	Claims incurred												
R0310	Gross - Direct Business										8,697		8,697
R0320	Gross - Proportional reinsurance accepted										0		0
R0330	Gross - Non-proportional reinsurance accepted												0
R0340	Reinsurers' share										7,921		7,921
R0400	Net										776		776
	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**										9,868		9,868
R1200	**Other expenses**												-113
R1300	**Total expenses**												9,755

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			MH	LR	SG	CN	PA	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	190	4,394	2,994	1,470	942	722	10,712
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	80	1,837	1,252	614	394	302	4,478
R0200	Net	111	2,557	1,742	855	548	420	6,234
	Premiums earned							
R0210	Gross - Direct Business	190	4,394	2,994	1,470	942	722	10,712
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	80	1,837	1,252	614	394	302	4,478
R0300	Net	111	2,557	1,742	855	548	420	6,234
	Claims incurred							
R0310	Gross - Direct Business	18	3,253	1,311	619	772	151	6,122
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340	Reinsurers' share	16	2,962	1,194	564	703	137	5,576
R0400	Net	2	290	117	55	69	13	546
	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**	109	2,511	1,711	840	538	412	6,121
R1200	**Other expenses**							-70
R1300	**Total expenses**							6,051

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	8,908	8,908			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	0				0
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	8,908	8,908	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	2,201			2,201	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	2,201			2,201	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

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Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector	C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	11,109	8,908	0	2,201	0
R0530	Total available own funds to meet the minimum consolidated group SCR	8,908	8,908	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	11,109	8,908	0	2,201	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	8,908	8,908	0	0	
R0610	**Minimum consolidated Group SCR**	4,225				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	210.86%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	11,109	8,908	0	2,201	0
R0680	**Group SCR**	4,403				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	252.33%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	8,908
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	8,908
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	4,149
R0790	**Total Expected profits included in future premiums (EPIFP)**	4,149

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Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	2,864		
R0020	Counterparty default risk	441		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	1,605		
R0060	Diversification	-1,088		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	3,823		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	580
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
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**	4,403
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	4,403
	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
R0470	Minimum consolidated group solvency capital requirement	4,225
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	4,403

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

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Undertakings in the scope of the group

	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	2138003OSX6Y4JS3YP47	LEI	The United Kingdom Freight Demurrage and Defence Association Limited	Non life insurance undertaking	Mutual limited by guarantee	Mutual	PRA / FCA
2	CY	213800USL6J47FESOC07	LEI	The United Kingdom Freight Demurrage and Defence Insurance (Europe) Limited	Non life insurance undertaking	Private Company limited by shares	Non-mutual	Cyprus Ministry of Finance

S.32.01.22

Undertakings in the scope of the group

					Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	2138003OSX6Y4JS3YP47	LEI	The United Kingdom Freight Demurrage and Defence Association Limited					Dominant		Included in the scope		Method 1: Full consolidation
2	CY	213800USL6J47FESOC07	LEI	The United Kingdom Freight Demurrage and Defence Insurance (Europe) Limited	100.00%	100.00%			Significant	100.00%	Included in the scope		Method 1: Full consolidation

The United Kingdom Freight Demurrage and Defence Association Limited

Solvency and Financial Condition Report

Disclosures

20 February

2022

(Monetary amounts in GBP thousands)

General information

Undertaking name	The United Kingdom Freight Demurrage and Defence Association Limited
Undertaking identification code	2138003OSX6Y4JS3YP47
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	20 February 2022
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
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)	7,399
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	3,364
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	750
R0190	*Derivatives*	734
R0200	*Deposits other than cash equivalents*	2,551
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:	20,682
R0280	*Non-life and health similar to non-life*	20,682
R0290	*Non-life excluding health*	20,682
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	102
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	47
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	5,278
R0420	Any other assets, not elsewhere shown	34
R0500	**Total assets**	33,542

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	19,771
R0520	*Technical provisions - non-life (excluding health)*	19,771
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	19,627
R0550	*Risk margin*	144
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	141
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	348
R0830	Reinsurance payables	4,079
R0840	Payables (trade, not insurance)	176
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	187
R0900	**Total liabilities**	24,702
R1000	**Excess of assets over liabilities**	8,840

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)									Total
		Medical expense 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	
		C0010	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0200
	Premiums written										
R0110	Gross - Direct Business							14,689			14,689
R0120	Gross - Proportional reinsurance accepted							2,209			2,209
R0130	Gross - Non-proportional reinsurance accepted										0
R0140	Reinsurers' share							7,219			7,219
R0200	Net							9,679			9,679
	Premiums earned										
R0210	Gross - Direct Business							14,488			14,488
R0220	Gross - Proportional reinsurance accepted							2,209			2,209
R0230	Gross - Non-proportional reinsurance accepted										0
R0240	Reinsurers' share							7,066			7,066
R0300	Net							9,632			9,632
	Claims incurred										
R0310	Gross - Direct Business							7,024			7,024
R0320	Gross - Proportional reinsurance accepted							1,505			1,505
R0330	Gross - Non-proportional reinsurance accepted										0
R0340	Reinsurers' share							7,921			7,921
R0400	Net							609			609
	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**							9,707			9,707
R1200	**Other expenses**										-137
R1300	**Total expenses**										9,571

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			MH	LR	SG	CN	PA	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	190	4,391	2,975	1,470	942	722	10,690
R0120	Gross - Proportional reinsurance accepted	0	3	19	0	0	0	22
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	81	1,876	1,271	628	402	308	4,567
R0200	Net	109	2,518	1,723	842	539	413	6,145
	Premiums earned							
R0210	Gross - Direct Business	190	4,391	2,975	1,470	942	722	10,690
R0220	Gross - Proportional reinsurance accepted	0	3	19	0	0	0	22
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	81	1,876	1,271	628	402	308	4,567
R0300	Net	109	2,518	1,723	842	539	413	6,145
	Claims incurred							
R0310	Gross - Direct Business	17	3,190	1,286	607	757	148	6,005
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340	Reinsurers' share	16	2,962	1,194	564	703	137	5,576
R0400	Net	1	228	92	43	54	11	428
	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**	109	2,522	1,709	844	541	415	6,141
R1200	**Other expenses**							-86
R1300	**Total expenses**							6,054

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance									Total Non-Life obligation
		Medical expense 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	
		C0020	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0180
R0010	**Technical provisions calculated as a whole**							0			0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole										0
	Technical provisions calculated as a sum of BE and RM										
	Best estimate										
	Premium provisions										
R0060	Gross							-3,722			-3,722
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default							-639			-639
R0150	**Net Best Estimate of Premium Provisions**							-3,083			-3,083
	Claims provisions										
R0160	Gross							23,350			23,350
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default							21,321			21,321
R0250	**Net Best Estimate of Claims Provisions**							2,029			2,029
R0260	**Total best estimate - gross**							19,627			19,627
R0270	**Total best estimate - net**							-1,055			-1,055
R0280	**Risk margin**							144			144
	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**							19,771			19,771
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**							20,682			20,682
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**							-911			-911

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											210	210	210
R0160	2013	1,564	2,323	1,248	954	674	363	84	-114	10	44		44	7,150
R0170	2014	1,939	2,804	2,101	700	220	252	99	99	95			95	8,308
R0180	2015	1,763	5,060	3,577	1,966	1,276	321	310	-40				-40	14,233
R0190	2016	1,883	2,672	1,356	1,347	244	150	104					104	7,758
R0200	2017	1,976	2,379	1,225	461	316	60						60	6,417
R0210	2018	1,415	2,123	1,218	984	444							444	6,184
R0220	2019	2,123	3,261	1,248	1,164								1,164	7,796
R0230	2020	1,447	2,946	1,481									1,481	5,874
R0240	2021	2,347	2,467										2,467	4,814
R0250	2022	1,781											1,781	1,781
R0260												Total	7,810	70,524

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											619	619
R0160	2013	0	0	0	0	968	632	462	214	182	137		137
R0170	2014	0	0	0	1,598	883	455	386	300	240			239
R0180	2015	0	0	7,148	4,358	2,879	1,803	794	1,076				1,064
R0190	2016	0	5,708	2,651	1,660	1,075	458	375					368
R0200	2017	11,232	5,034	2,772	1,565	990	726						712
R0210	2018	10,162	6,013	3,407	1,465	1,138							1,116
R0220	2019	10,135	5,972	3,037	1,901								1,869
R0230	2020	9,058	5,402	3,059									3,017
R0240	2021	9,169	4,806										4,738
R0250	2022	9,603											9,471
R0260												Total	23,350

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	8,840	8,840			
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**	8,840	8,840	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	2,277			2,277	
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**	2,277			2,277	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	11,117	8,840	0	2,277	0
R0510	Total available own funds to meet the MCR	8,840	8,840	0	0	
R0540	Total eligible own funds to meet the SCR	11,117	8,840	0	2,277	0
R0550	Total eligible own funds to meet the MCR	8,840	8,840	0	0	
R0580	**SCR**	4,555				
R0600	**MCR**	2,112				
R0620	**Ratio of Eligible own funds to SCR**	244.07%				
R0640	**Ratio of Eligible own funds to MCR**	418.51%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	8,840
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	8,840
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	3,524
R0790	**Total Expected profits included in future premiums (EPIFP)**	3,524

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	3,327		
R0020	Counterparty default risk	429		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	1,158		
R0060	Diversification	-948		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	3,966		

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	589
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**	4,555
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	4,555
	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	639

		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	9,679
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	639
R0310	SCR	4,555
R0320	MCR cap	2,050
R0330	MCR floor	1,139
R0340	Combined MCR	1,139
R0350	Absolute floor of the MCR	2,112
R0400	**Minimum Capital Requirement**	2,112