



UK DEFENCE CLUB

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

Solvency and Financial Condition Report

For the year ended 20 February 2024

UKDC
IS MANAGED
BY **THOMAS
MILLER**

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

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

Summary

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

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

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

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

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

During the year under review, the Company has applied the IFRS 17 – Insurance Contracts - reporting standard for the first time. IFRS 17 requires analysis at a more detailed level than previous accounting standards. Under the IFRS 17 model, insurance contract liabilities are calculated as the present value of future insurance cash flows with the provision for a risk adjustment. The Company has set up the systems and processes to report in accordance with the provisions of IFRS 17. The Company meets the criteria to apply the simplified model.

During the year under review, the Company made a profit after tax of UK£162,656 (2023: UK£78,696 (restated)), as reported in its annual financial statements.

For solvency purposes the Company’s total own funds were UK£3,921,291 against an SCR of UK£1,845,407 resulting in coverage of 212% and eligible own funds of UK£3,921,291 against an Minimum Capital Requirement (“MCR”) of UK£2,358,882 resulting in coverage of 166%. Since the Company’s MCR is based on the absolute floor as set by EIOPA, the coverage is impacted by Sterling relative to Euro. Were it not for the absolute floor, the Company’s MCR would have been UK£461,352.

The Company complied with MCR and SCR throughout the year.

A. Business and Performance

A.1. Business

Corporate information

A.1.1 Name and legal form

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

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

A.1.2 Supervisory Authority details

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

Contact details:

Telephone number: +357 22 602990

Fax Number: +357 22 302938

E-mail: insurance@mof.gov.cy

Website : <http://mof.gov.cy/en/directorates-units/insurance-companies-control-service>

A.1.3 External auditor

The Company's external auditors are:

ERNST & YOUNG CYPRUS LIMITED,

6 Stasinou Avenue Jean Nouvel Tower,

P.O.Box 21656

1511 Nicosia, Cyprus.

A.1.4 Shareholders of qualifying holdings

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

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

The authorised share capital of the Company consisted of forty thousand Sterling Pounds (UK£40,000) divided into forty thousand (40,000) ordinary shares of nominal value of one Sterling Pound (UK£1,00) each.

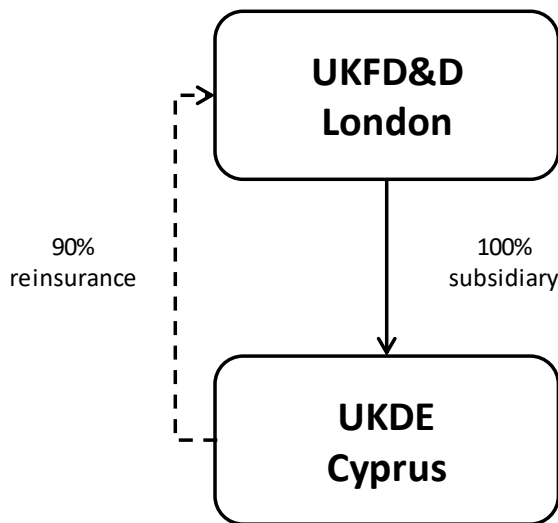
The issued share capital of the Company amounted to 20 000 shares of nominal value UK£1,00 each, issued at a premium of UK£49,00 per share.

A. Business and Performance (continued)

A.1. Business (continued)

A.1.5 Group structure

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



Overview

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

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

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

The number of ships entered in the Company as at the year-end on 20 February 2024 was 510, compared to 526 during the year ended 20 February 2023. In terms of tonnage, the Company insured 28,348,237 tonnes during the year ended 20 February 2024 compared to 24,840,796 tonnes insured during the year ended 20 February 2023.

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

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

A. Business and Performance (continued)

A.2. Underwriting Performance

For the year ended 20 February 2024, the Company produced an insurance service result of UK£236,380 as detailed further in the table below which is a summary of the Company's insurance account reported on in line with the International Financial Reporting Standards.

Summary of the insurance service result as at 20 February 2024:

| | 20/02/2024 UK£ | 20/02/2023 UK£ (Restated) |
|-------------------------------------------------------------------|--------------------|------------------------------|
| Insurance revenue | 2,640,728 | 2,558,987 |
| Insurance service expense | (1,160,910) | (1,427,433) |
| Insurance service result before reinsurance contracts held | 1,479,818 | 1,131,554 |
| Allocation of reinsurance premiums | (2,116,038) | (1,830,210) |
| Amounts recoverable from reinsurers for incurred claims | 872,600 | 1,117,683 |
| Net expenses from reinsurance contracts held | (1,243,438) | (712,527) |
| Insurance service result | 236,380 | 419,027 |

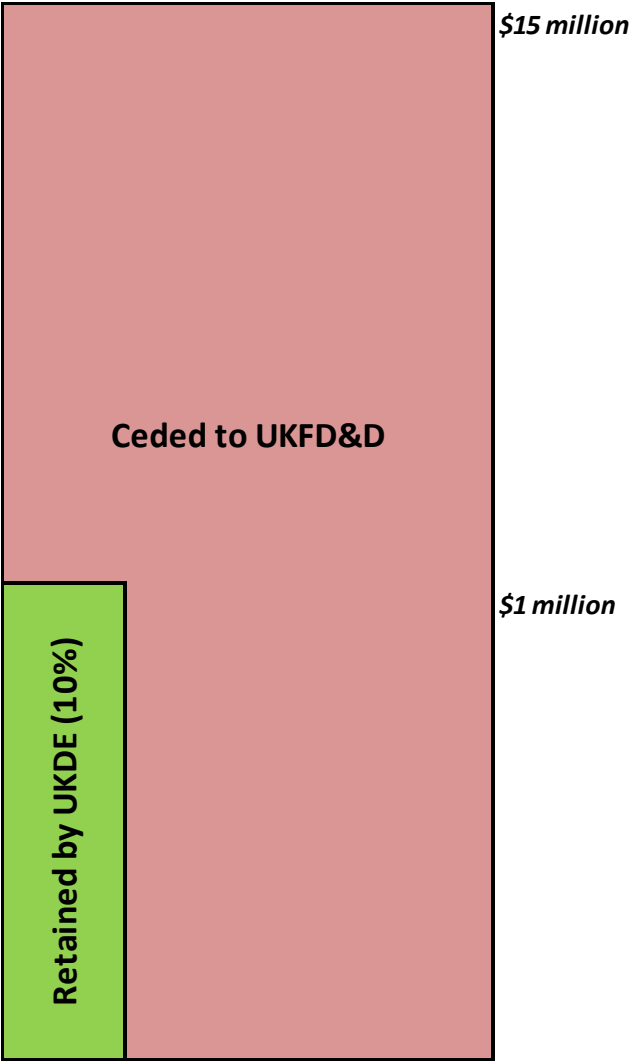
A. Business and Performance (continued)

A.2. Underwriting Performance (continued)

Risk mitigation

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

The below table illustrates the reinsurance programme of the Company:



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

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

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

A. Business and Performance (continued)

A.3. Investment Performance

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

Invested assets split by asset class as at 20 February 2024:

| Asset class | 20/02/2024 UK£ | 20/02/2023 UK£ (Restated) |
|-------------------------------------------------------|-------------------|---------------------------------|
| Financial assets at fair value through profit or loss | 4,386,586 | 3,245,494 |
| Cash at bank | 165,954 | 538,781 |
| Total financial assets | 4,552,540 | 3,784,275 |

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

Investment return split by asset class as at 20 February 2024:

| | 20/02/2024 UK£ | 20/02/2023 UK£ |
|-------------------------------------------------------|-------------------|-------------------|
| Financial assets at fair value through profit or loss | 170,787 | 90,516 |

A.4. Performance from other Activities

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

A. Business and Performance (continued)

A.5. Any other Information

Overall, the Company produced an accounting profit after tax of UK£162,656 (2023: UK£78,696 (restated)) for the year resulting in retained earnings of UK£245,837 (2023: UK£83,181) in the IFRS financial statements. Total comprehensive income for the year was UK£162,656 (2023: UK£78,696).

Impact of the Russian invasion of Ukraine on the Company

On 24 February 2022, Russian troops started invading Ukraine. In response, multiple jurisdictions have imposed economic sanctions on Russia. This war has increasingly affected economic and global markets and continues to pose ongoing challenges to the global landscape. Whilst the Company does not have a physical presence in Russia or Ukraine, it has seen a rise in claims cost as a result of the conflict. This has mainly been driven by sanctions related risks. The European Union, the United Kingdom and the United States of America (amongst others) have imposed a number of financial and trade sanctions. The Company continues to keep the position under review and ensures compliance with the changing sanction measures whilst acting for the benefit of the Group's overall Membership.

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

Israel - Gaza conflict

The Israel-Gaza conflict has escalated significantly since the major attack by Hamas on 7th October 2023. This has triggered further instability in the Middle East region with Lebanon and Iran entering conflict. Whilst the Company is not directly exposed to the above events, there is a potential risk of increased claims in terms of both numbers and amounts. The Management monitors the developments closely in order to take appropriate action when and if necessary and provide support to the Association in the area and support the Association's Membership. Further, the Company is likely to be affected by the overall economic uncertainty and negative effects on the global economy and major financial markets resulting from the war.

Red Sea transits

The Company had received a number of queries from Members following the escalation of Houthi attacks on ships transiting the Southern Red Sea. Those queries have primarily concerned clarification around whether certain war risk provisions had been triggered such that an owner could refuse to transit the area.

Various queries have arisen over the intervening months and it would appear that the majority of Members have been able to reach an agreement with their contractual counterparties. It is difficult to anticipate how many of these matters have the potential to develop into disputes, however the Managers continue to monitor the issue through risk and claims processes. As the conflict has progressed enquiries have reduced as more Owners and their charterers take the decision not to transit the area.

A. Business and Performance (continued)

A.5. Any other Information (continued)

Financial risks arising from climate change

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

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

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

B. System of Governance

B.1. General Information on the System of Governance

The Board of Directors

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

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

The Board of Directors comprises of the following Members:

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

Committees

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

Audit, Regulatory & Risk Committee

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

B. System of Governance (continued)

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

Group Management Fee Committee

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

Key functions

The Managers

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

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

The Investment Managers

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

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

Governance

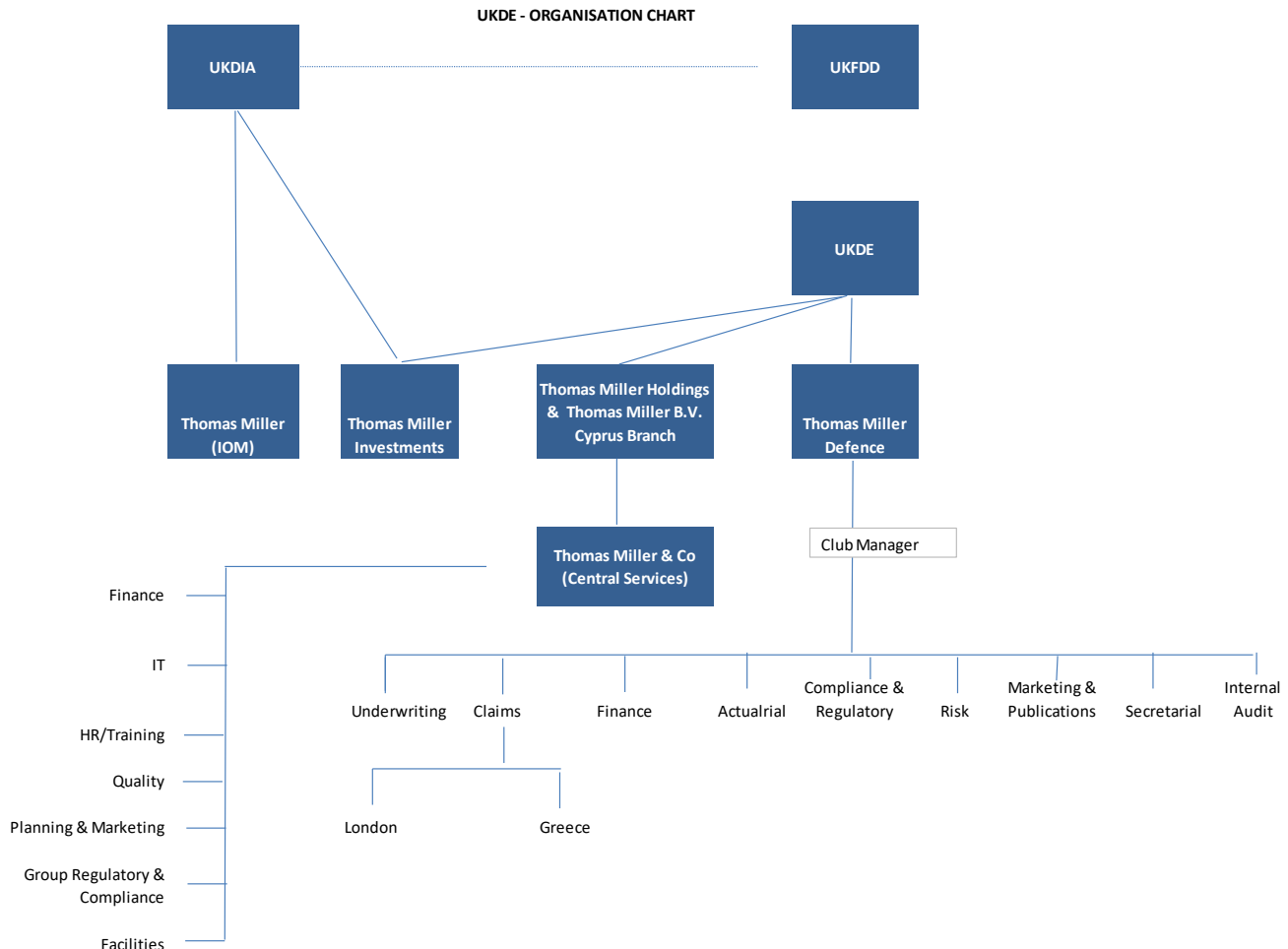
The Company's maintains a prescribed set of responsibilities for the following functions

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

B. System of Governance (continued)

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

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



Remuneration

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

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

B. System of Governance (continued)

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

Related party transactions

The Company is 100% owned by UKFDD.

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

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

B.2. Fit and Proper Requirements

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

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

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

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

B. System of Governance (continued)

B.2. Fit and Proper Requirements (continued)

The Fit and Proper requirements applies to:

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

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

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

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

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

B. System of Governance (continued)

B.3. Risk Management System

Overview

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



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

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

The risk management system includes:

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

B. System of Governance (continued)

B.3. Risk Management System (continued)

Overview (continued)

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

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

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

Risk Policies and Procedures

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

B. System of Governance (continued)

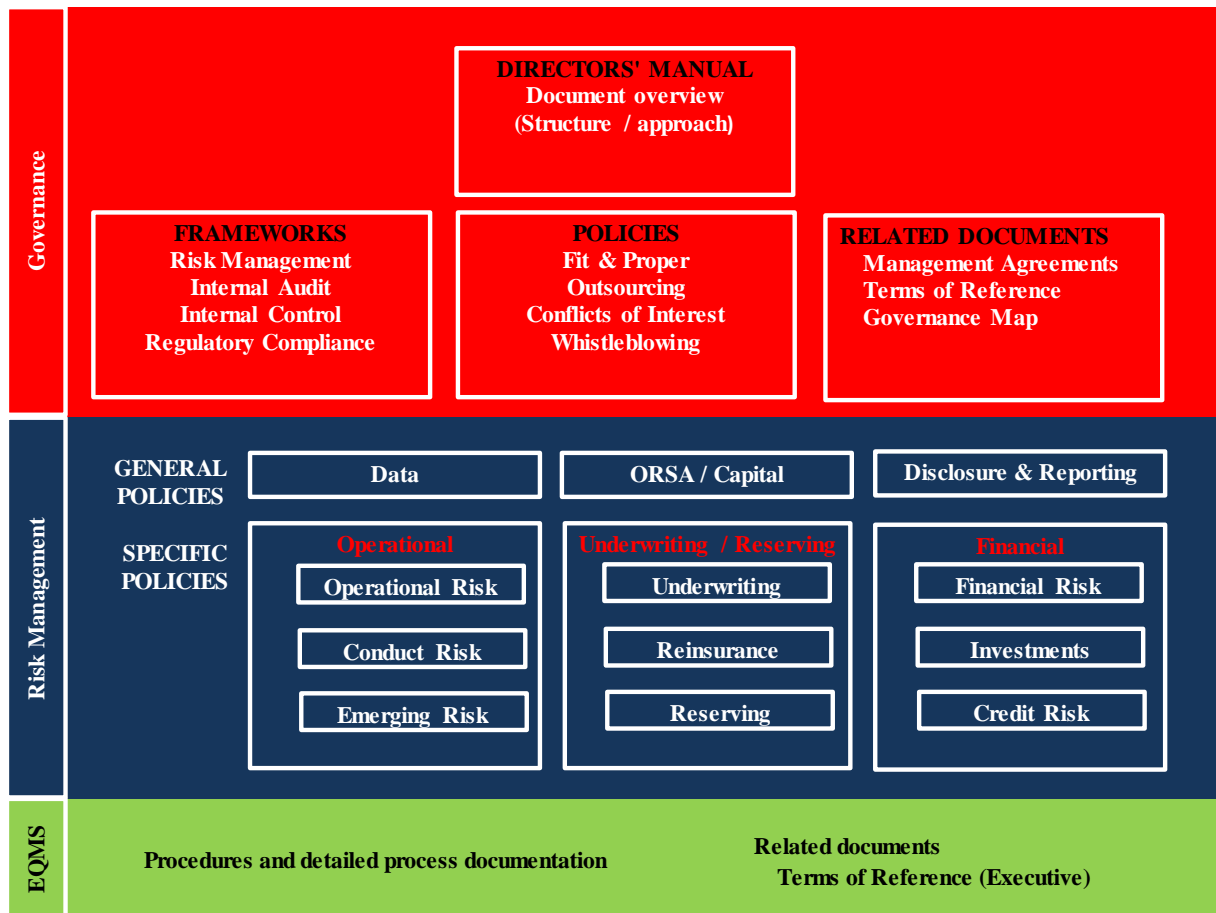
B.3. Risk Management System (continued)

Risk Policies and Procedures (continued)

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

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

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



B. System of Governance (continued)

B.3. Risk Management System (continued)

Risk Appetite

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

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

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

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

Key risks

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

Own Risk and Solvency Assessment ("ORSA")

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

The key elements of the ORSA process are:

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

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

B. System of Governance (continued)

B.3. Risk Management System (continued)

Own Risk and Solvency Assessment (“ORSA”) (continued)

The Board of Directors reviews the ORSA and considers appropriate action for the Company such as:

- Capital related decisions
- General Increase considerations
- Reassessment of risk profile and risk appetite
- Additional risk mitigating actions

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

Risk Controls

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

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

Risk Reporting Procedures

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

Implementation of the Risk Management system

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

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

B. System of Governance (continued)

B.4. Internal Control System

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

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

Control activities

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

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

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

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

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

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

B. System of Governance (continued)

B.4. Internal Control System (continued)

Compliance function

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

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

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

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

B.5. Internal Audit Function

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

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

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

Independence

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

B. System of Governance (continued)

B.5. Internal Audit Function (continued)

Development of plans

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

Planning

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

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

Execution

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

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. System of Governance (continued)

B.6. Actuarial Function

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

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

The Actuarial Function undertakes all responsibilities as required by Solvency II, including:

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

B.7. Outsourcing

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

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

Management outsourcing

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

B. System of Governance (continued)

B.7. Outsourcing (continued)

Investment management outsourcing

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

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

Internal audit outsourcing

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

Oversight

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

B.8. Any Other Information

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

The Company considers no other information material to be disclosed.

C. Risk Profile

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

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

C.1. Underwriting Risk

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

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

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

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

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

C.2. Market Risk

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

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

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

C. Risk Profile (continued)

C.2. Market Risk (continued)

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

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

As at 20 February 2024

| | Sterling UK£ | US Dollar UK£ | Euro UK£ | Total UK£ |
|--------------------------------------------|-------------------------|--------------------------|---------------------|----------------------|
| Financial and insurance assets | | | | |
| Other financial investments | 3,059,677 | 1,326,909 | - | 4,386,586 |
| Accrued interest | 6,003 | - | - | 6,003 |
| Reinsurance contract assets | 1,704,447 | - | - | 1,704,447 |
| Trade and other receivables | 14,716 | 1,139 | - | 15,855 |
| Cash and cash equivalents | 50,910 | 104,338 | 10,706 | 165,954 |
| Current tax assets | - | - | 730 | 730 |
| Total financial assets | <u>4,835,753</u> | <u>1,432,386</u> | <u>11,436</u> | <u>6,279,575</u> |
| Financial and insurance liabilities | | | | |
| Insurance contract liabilities | 2,206,233 | 21,905 | - | 2,228,138 |
| Trade and other payables | - | 6,790 | 138,810 | 145,600 |
| Total financial liabilities | <u>2,206,233</u> | <u>28,695</u> | <u>138,810</u> | <u>2,373,738</u> |

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.

C. Risk Profile (continued)

C.2. Market Risk (continued)

The prudent person principle (continued)

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

20 February 2024

| | AAA - A | Not rated / not readily available | Total | Concentration |
|---------------------------------------------------------|------------------|-----------------------------------------|------------------|---------------|
| | UK£ | UK£ | UK£ | % |
| Debt securities at fair value through profit or loss | 1,218,432 | - | 1,218,432 | 40% |
| Reinsurance contract assets | - | 1,704,447 | 1,704,447 | 55% |
| Accrued interest | 6,003 | - | 6,003 | 0% |
| Trade and other receivables | - | 1,121 | 1,121 | 0% |
| Cash at bank | 165,954 | - | 165,954 | 5% |
| Total assets subject to credit risk | 1,390,389 | 1,705,568 | 3,095,957 | 100% |

C. Risk Profile (continued)

C.3. Credit Risk (continued)

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

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

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

C.4. Liquidity Risk

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

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

20 February 2024

| | Carrying amounts UK£ | Contractual cash flows UK£ | 12 months or less UK£ |
|-------------------------------------------------------|-------------------------------------|-------------------------------------------|--------------------------------------|
| Financial assets | | | |
| Financial assets at fair value through profit or loss | 4,386,586 | 4,386,586 | 4,386,586 |
| Accrued interest | 6,003 | 6,003 | 6,003 |
| Trade and other receivables | 1,121 | 1,121 | 1,121 |
| Cash at bank | 165,954 | 165,954 | 165,954 |
| Total financial assets | <u>4,559,664</u> | <u>4,559,664</u> | <u>4,559,664</u> |
| Financial liabilities | | | |
| Trade and other payables | 145,600 | 145,600 | 145,600 |
| Total financial liabilities | <u>145,600</u> | <u>145,600</u> | <u>145,600</u> |

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

C. Risk Profile (continued)

C.4. Liquidity Risk (continued)

| Insurance contracts issued and reinsurance contracts held | Carrying amounts | Contractual cash flows | 12 months or less | 1 to 2 years | 2-5 years | More than 5 years |
|-----------------------------------------------------------|------------------|------------------------|-------------------|--------------|-----------|-------------------|
| | UK£ | UK£ | UK£ | UK£ | UK£ | UK£ |
| Reinsurance contract assets | 1,704,447 | 1,704,447 | 657,676 | 407,078 | 523,385 | 116,308 |
| Insurance contract liabilities | (2,228,138) | (2,228,138) | (1,070,779) | (450,084) | (578,680) | (128,595) |
| Net undiscounted future cash flows | (523,691) | (523,691) | (413,103) | (43,006) | (55,295) | (12,287) |

The amount of gross expected profits included in future premium is as per the Solvency II balance sheet UK£603,700. However, it should be noted that the Solvency II balance sheet does not reflect all future expense cash flows and the actual expected profit over the year would be lower than this.

C.5. Operational Risk

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

C.6. Other Material Risks

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

C.7. Stress and scenario testing

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

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

C. Risk Profile (continued)

C.7. Stress and scenario testing (continued)

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

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

C.8. Any Other Information

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

D. Valuation for Solvency Purposes

D.1. Assets

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

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

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

Valuation of the Company’s assets as at 20 February 2024:

| | 2024 | | 2023 | |
|-------------------------------------------------------|--------------------|------------------|--------------------|------------------|
| | Solvency II UK£ | Statutory UK£ | Solvency II UK£ | Statutory UK£ |
| Financial assets at fair value through profit or loss | 4,392,589 | 4,392,589 | 3,254,213 | 3,254,213 |
| Reinsurance share of technical provisions | 1,891,727 | | 1,668,680 | |
| Reinsurance contract assets | | 1,704,447 | | 2,073,901 |
| Insurance and intermediaries receivables | 1,121 | 1,121 | 103,856 | 16,350 |
| Reinsurance receivables | 21,394 | - | - | - |
| Cash and cash equivalents | 165,954 | 165,954 | 538,781 | 538,781 |
| Any other assets not elsewhere shown | 14,716 | 15,464 | 252,519 | 19,465 |
| | <u>6,487,501</u> | <u>6,279,575</u> | <u>5,818,049</u> | <u>5,902,710</u> |

The above table presents amounts at Solvency II and IFRS valuation bases respectively.

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

Reinsurer’s share of technical provisions

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

D. Valuation for Solvency Purposes (continued)

D.1. Assets (continued)

Reinsurer's share of technical provisions

These represent the reinsurer's share of the premium provisions (i.e. relating to the unexpired portion of the business), and the reinsurer's share of the outstanding claim reserves/provisions. Under IFRS, this item is relatable to the Insurance and Reinsurance Contract Assets which are measured on a Best Estimate basis and also include the IFRS17 Risk Adjustment and the respective payables and receivables that are related to the insurance contracts issued and the reinsurance contracts held.

Insurance and intermediaries' 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 accounted in accordance with IFRS 9 which incorporates an ECL adjustment based on expected collection. The value of insurance and intermediaries' receivables in the Company's financial statements forms part of the Insurance and Reinsurance Contract Assets, whereas under SII the insurance and intermediaries receivables exclude the future premium instalments which are allowed in the calculation of technical provisions.

Reinsurance receivables

Represent the amounts due from Reinsurers (debit balances) and are measured on initial recognition at the fair value of the consideration received or receivable. Subsequently, they are measured at amortised cost, less any provision for impairment. The value of reinsurance receivables in the Company's financial statements forms part of the Insurance and Reinsurance Contract Assets

Cash and cash equivalents

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

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

Any other assets not elsewhere shown

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

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

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

D. Valuation for Solvency Purposes (continued)

D.1. Assets (continued)

Net technical provisions as at 20 February 2024:

| | 2024 | 2023 |
|---------------------------|----------------|----------------|
| | UK£ | UK£ |
| Gross best estimate | 1,832,250 | 1,541,090 |
| Risk margin | 251,150 | 270,999 |
| Reinsurance best estimate | (1,891,727) | (1,668,680) |
| Net technical provisions | <u>191,672</u> | <u>143,409</u> |

D.2. Technical Provisions

The value of the Company's technical provisions is equal to the sum of the best estimate and the risk margin, which are calculated separately. Refer to Appendices S.17.01.02 and S.19.01.21 for further details on technical provisions. The Company's technical provisions are valued using the following principles:

Bases, methods and main assumptions

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

Claims

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

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

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

Premiums

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

D. Valuation for Solvency Purposes (continued)

D.2. Technical Provisions (continued)

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 Company will ultimately pay for such claims. Estimates are made for the expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Company uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments.

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

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

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D. Valuation for Solvency Purposes (continued)

D.2. Technical Provisions (continued)

Differences between GAAP and Solvency II technical provisions

| | 2024 | | 2023 | |
|--------------------------------|--------------------|------------------|--------------------|------------------|
| | Solvency II UK£ | Statutory UK£ | Solvency II UK£ | Statutory UK£ |
| Technical provision -non-life | 2,083,400 | | 1,812,088 | |
| Insurance contract liabilities | | 2,228,138 | | 2,020,041 |
| | 2,083,400 | 2,228,138 | 1,812,088 | 2,020,041 |

The main valuation principles of Solvency II leading to differences from reserves shown in the financial statements are:

- The concept of risk margin is only applicable under Solvency II basis;
- The concept of risk adjustment is only applicable under IFRS basis;
- The Liability for Remaining Coverage (“LRC”) under IFRS basis is replaced by the Premium Provision under Solvency II basis. The LRC reflects the Unearned portion of the premiums and deferred acquisition costs, which under normal circumstances, includes profit margins. The transition to the Premium Provision results in realising the profits embedded in the unexpired portion of the policies;
- The Liability for Incurred Claims does not exist for Solvency II purposes and is replaced by the best estimate of the claims provision;

D.3. Other Liabilities

Valuation of the Company’s liabilities as at 20 February 2024:

| | Solvency II UK£ | Statutory UK£ | Solvency II UK£ | Statutory UK£ |
|--------------------------------------------|--------------------|------------------|--------------------|------------------|
| Insurance & intermediaries payables | 63,684 | - | 15,316 | - |
| Reinsurance payables | 276,411 | - | - | - |
| Payables (trade, not insurance) | 142,715 | 145,600 | 192,505 | 138,557 |
| Any other liabilities, not elsewhere shown | - | - | - | 931 |
| | 2,566,211 | 2,373,738 | 2,019,909 | 2,159,529 |

The above table presents amounts at Solvency II and IFRS valuation bases respectively.

The Company’s liabilities are valued using the following principles:

Technical provisions

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

D. Valuation for Solvency Purposes (continued)

D.3. Other Liabilities (continued)

Reinsurance payables

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

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

Insurance & Intermediaries payables

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

Payables, trade not insurance

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

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

Any other liabilities not elsewhere shown

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

D.4. Alternative Methods of Valuation

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

D.5. Any Other Information

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

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E. Capital Management

E.1 Own funds

| | 2024 | 2023 |
|----------------------------|-----------|-----------|
| SCR ratio | 212% | 211% |
| SCR | 1,845,407 | 1,804,279 |
| Eligible own funds | 3,921,291 | 3,798,138 |
| Excess | 2,075,884 | 1,993,859 |
| | | |
| MCR ratio | 166% | 159% |
| MCR | 2,358,882 | 2,395,926 |
| Eligible own funds | 3,921,291 | 3,798,138 |
| Excess | 1,562,409 | 1,402,212 |
| | | |
| Tier 1 basic own funds | 3,921,291 | 3,798,138 |
| Tier 2 ancillary own funds | - | - |

Accumulated income and expenditure account reserve and reconciliation reserve, which falls under Tier 1 and counts as Basic Own Funds (“BOF”). These funds may be fully utilised to meet both the Solvency Capital Requirement (“SCR”) and the Minimum Capital Requirement (“MCR”). Tier 1 BOF contains no significant restrictions affecting the availability and transferability of these own funds.

Information, objectives, policies and processes for managing own funds

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

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

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

| | 2024 UK£ | 2023 UK£ |
|-----------------------------------------------------------|------------------|------------------|
| Total Equity (IFRS) | 3,905,837 | 3,743,181 |
| Difference in valuation of technical provisions | 332,018 | (197,268) |
| Differences in reinsurance receivables | 21,394 | - |
| Differences in Insurance and intermediaries receivables | - | 87,506 |
| Differences in any other assets not elsewhere shown | (748) | 233,054 |
| Differences in Insurance & intermediaries payables | (63,684) | (15,316) |
| Differences in reinsurance payables | (276,411) | - |
| Differences in Payables (trade, not insurance) | 2,885 | (53,950) |
| Differences in any other liabilities, not elsewhere shown | - | 931 |
| Own funds (Solvency II) | 3,921,291 | 3,798,138 |

E. Capital Management (continued)

E.2 Solvency Capital Requirement and Minimum Capital Requirement

SCR and MCR

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

| | 2024 UK£ | 2023 UK£ |
|-------------------------------|------------------|------------------|
| SCR | 1,845,407 | 1,804,279 |
| <i>Made up of</i> | | |
| Market risk | 432,606 | 461,531 |
| Underwriting & reserving risk | 783,749 | 811,632 |
| Counterparty default risk | 1,049,110 | 960,846 |
| Operational risk | 78,847 | 77,049 |
| Diversification benefit | (498,905) | (506,779) |
| MCR | 2,358,882 | 2,395,926 |
| <i>MCR inputs</i> | | |
| Net written premium | 2,634,920 | 2,430,632 |

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

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

The Company's MCR is subject to the absolute floor of €2.7 million as mandated by EIOPA which is the very minimum amount that an MCR may be regardless of the results of the MCR calculation. Absent the mandated absolute floor, the Company's MCR would have been UK£461,352.

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

E. Capital Management (continued)

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

This sub-module is not used by the Company.

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

The Company uses only the standard formula.

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

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

E.6 Any other information

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

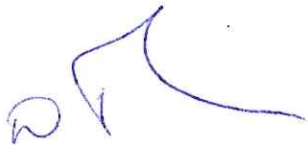
The United Kingdom Freight Demurrage and Defence Insurance
(Europe) Limited

Directors' Statement

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

We are satisfied that:

- a) throughout the financial year in question, the Company has complied in all material respects with the Framework as applicable to the insurer; and
- b) it is reasonable to believe that the Company has continued to comply subsequently and will continue to comply in future.



Daniel John Evans

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

28 May 2024



**Building a better
working world**

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1060 Nicosia
P.O. Box 21656
1511 Nicosia, Cyprus

Independent Auditor's Report

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

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

Opinion

We have audited the following Solvency II Quantitative Reporting Templates ("QRTs") contained in Annex I to Commission Implementing Regulation (EU) No 2023/895 of 4 April 2023, of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd (the "Company"), prepared as at 20 February 2024:

- S.02.01.02 - Balance sheet
- S.17.01.02 - Non-Life Technical Provisions
- S.23.01.01 - Own funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
- S.28.02.01 - Minimum Capital Requirement - Both life and non-life insurance activity

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

In our opinion, the information in the relevant QRTs of the Solvency and Financial Condition Report as at 20 February 2024 is prepared, in all material respects, in accordance with the Insurance and Reinsurance Services and other Related Issues Law of 2016 as amended, the Commission Delegated Regulation (EU) 2015/35 as amended, the relevant EU Commission's Implementing Regulations and the relevant Orders of the Superintendent of Insurance (collectively "the Framework").

Basis for Opinion

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

Emphasis of Matter

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

Other information

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

Narrative sections:

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

QRTs (contained in Annex I to Commission Implementing Regulation (EU) No 2023/895 of 4 April 2023):

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

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

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

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

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

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



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

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

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

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

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

- Identify and assess the risks of material misstatement of the relevant QRTs of the Solvency and Financial Condition Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of the basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Solvency and Financial Condition Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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



Other Matter

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

A handwritten signature in black ink, appearing to read 'Savvas Pentaris', is written over a light grey horizontal line.

Savvas Pentaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
28 May 2024

The United Kingdom

Solvency and Financial Condition Report

Disclosures

20 February

2024

(Monetary amounts in GBP thousands)

General information

| | |
|-----------------------------------------------------|-----------------------------------------------------------------------------|
| Undertaking name | The United Kingdom Freight Demurrage and Defence Insurance (Europe) Limited |
| Undertaking identification code | 213800USL6J47FESOC07 |
| Type of code of undertaking | LEI |
| Type of undertaking | Non-Life insurance undertakings |
| Country of authorisation | CY |
| Language of reporting | en |
| Reporting reference date | 20 February 2024 |
| Currency used for reporting | GBP |
| Accounting standards | IFRS |
| Method of Calculation of the SCR | Standard formula |
| Matching adjustment | No use of matching adjustment |
| Volatility adjustment | No use of volatility adjustment |
| Transitional measure on the risk-free interest rate | No use of transitional measure on the risk-free interest rate |
| Transitional measure on technical provisions | No use of transitional measure on technical provisions |

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.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 | |
|----------------------|-------|
| C0010 | |
| | |
| | |
| | |
| | 0 |
| | 4,393 |
| | 0 |
| | 0 |
| | 0 |
| | |
| | |
| | 1,224 |
| | 1,224 |
| | 0 |
| | 0 |
| | 0 |
| | 3,168 |
| | |
| | 0 |
| | 0 |
| | |
| | 0 |
| | 0 |
| | |
| | 1,892 |
| | 1,892 |
| | 1,892 |
| | 0 |
| | 0 |
| | |
| | |
| | 0 |
| | 1 |
| | 21 |
| | 0 |
| | |
| | 0 |
| | 166 |
| | 15 |
| | 6,488 |

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

S.02.01.02

Balance sheet

| | | Solvency II value |
|--------------------|----------------------------------------------------------------------------------------|----------------------|
| | | C0010 |
| Liabilities | | |
| R0510 | Technical provisions - non-life | 2,083 |
| R0520 | <i>Technical provisions - non-life (excluding health)</i> | 2,083 |
| R0530 | <i>TP calculated as a whole</i> | 0 |
| R0540 | <i>Best Estimate</i> | 1,832 |
| R0550 | <i>Risk margin</i> | 251 |
| R0560 | <i>Technical provisions - health (similar to non-life)</i> | 0 |
| R0570 | <i>TP calculated as a whole</i> | 0 |
| R0580 | <i>Best Estimate</i> | 0 |
| R0590 | <i>Risk margin</i> | 0 |
| R0600 | Technical provisions - life (excluding index-linked and unit-linked) | 0 |
| R0610 | <i>Technical provisions - health (similar to life)</i> | 0 |
| R0620 | <i>TP calculated as a whole</i> | |
| R0630 | <i>Best Estimate</i> | |
| R0640 | <i>Risk margin</i> | |
| R0650 | <i>Technical provisions - life (excluding health and index-linked and unit-linked)</i> | 0 |
| R0660 | <i>TP calculated as a whole</i> | |
| R0670 | <i>Best Estimate</i> | |
| R0680 | <i>Risk margin</i> | |
| R0690 | Technical provisions - index-linked and unit-linked | 0 |
| R0700 | <i>TP calculated as a whole</i> | |
| R0710 | <i>Best Estimate</i> | |
| R0720 | <i>Risk margin</i> | |
| R0740 | Contingent liabilities | |
| R0750 | Provisions other than technical provisions | |
| R0760 | Pension benefit obligations | |
| R0770 | Deposits from reinsurers | |
| R0780 | Deferred tax liabilities | |
| R0790 | Derivatives | |
| R0800 | Debts owed to credit institutions | |
| R0810 | Financial liabilities other than debts owed to credit institutions | |
| R0820 | Insurance & intermediaries payables | 64 |
| R0830 | Reinsurance payables | 276 |
| R0840 | Payables (trade, not insurance) | 143 |
| R0850 | Subordinated liabilities | 0 |
| R0860 | <i>Subordinated liabilities not in BOF</i> | |
| R0870 | <i>Subordinated liabilities in BOF</i> | 0 |
| R0880 | Any other liabilities, not elsewhere shown | 0 |
| R0900 | Total liabilities | 2,566 |
| R1000 | Excess of assets over liabilities | 3,921 |

S.17.01.02

Non-Life Technical Provisions

| Direct business and accepted proportional reinsurance | | | | | | | | | | | | | Accepted non-proportional reinsurance | | | | Total Non-Life obligation | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------|-----------------------|------------------------------------------|---------------------------------------------|-----------------------------|---------------------------------|--------------------------|------------|------------------------------|-------------------------------------|---------------------------------------|-------------------------------------------------------------|---------------------------------------|-------|---------------------------|-------|
| Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | Non-proportional property reinsurance | | | |
| C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | C0180 | | |
| R0010 Technical provisions calculated as a whole | | | | | | | | | | 0 | | | | | | | 0 | |
| 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 | | | | | | | | | | | | | | | | | -604 |
| R0140 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | | | | | | | | | | | | | | -290 |
| R0150 | Net Best Estimate of Premium Provisions | | | | | | | | | | | | | | | | | -314 |
| Claims provisions | | | | | | | | | | | | | | | | | | |
| R0160 | Gross | | | | | | | | | | | | | | | | | 2,436 |
| R0240 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | | | | | | | | | | | | | | 2,182 |
| R0250 | Net Best Estimate of Claims Provisions | | | | | | | | | | | | | | | | | 254 |
| R0260 | Total best estimate - gross | | | | | | | | | | | | | | | | | 1,832 |
| R0270 | Total best estimate - net | | | | | | | | | | | | | | | | | -59 |
| R0280 | Risk margin | | | | | | | | | | | | | | | | | 251 |
| R0320 | Technical provisions - total | | | | | | | | | | | | | | | | | 2,083 |
| R0330 | Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | | | | | | | | | | | | | | | | | 1,892 |
| R0340 | Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | | | | | | | | | | | | | | | | | 192 |

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ERNST & YOUNG CYPRUS LIMITED

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

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

| Year | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0170 | C0180 |
|-------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-----------------|---------------------------|
| | Development year | | | | | | | | | | | In Current year | Sum of years (cumulative) |
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | |
| R0100 | Prior | | | | | | | | | | | 0 | 0 |
| R0160 | -9 | 0 | 2 | 54 | 125 | 240 | 8 | 0 | 0 | 0 | 3 | 0 | 433 |
| R0170 | -8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0180 | -7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0190 | -6 | 0 | 0 | 0 | 0 | 18 | 1 | 4 | | | | 4 | 24 |
| R0200 | -5 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 | 0 |
| R0210 | -4 | 0 | 3 | 13 | 14 | 0 | | | | | | 0 | 30 |
| R0220 | -3 | 2 | 21 | 0 | 2 | | | | | | | 2 | 25 |
| R0230 | -2 | 246 | 440 | 175 | | | | | | | | 175 | 862 |
| R0240 | -1 | 320 | 597 | | | | | | | | | 597 | 917 |
| R0250 | 0 | 146 | | | | | | | | | | 146 | 146 |
| R0260 | | | | | | | | | | | | Total | 926 |

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

| Year | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | C0360 | |
|-------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|----------------------------|--------------|
| | Development year | | | | | | | | | | | Year end (discounted data) | |
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | |
| R0100 | Prior | | | | | | | | | | | 0 | |
| R0160 | -9 | 0 | 0 | 0 | 0 | 0 | 0 | 19 | 22 | 21 | 0 | 20 | |
| R0170 | -8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| R0180 | -7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| R0190 | -6 | 0 | 0 | 0 | 0 | 0 | 3 | 3 | | | | 2 | |
| R0200 | -5 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 | |
| R0210 | -4 | 0 | 0 | 0 | 5 | 3 | | | | | | 3 | |
| R0220 | -3 | 0 | 0 | 5 | 4 | | | | | | | 4 | |
| R0230 | -2 | 1,802 | 856 | 569 | | | | | | | | 538 | |
| R0240 | -1 | 1,571 | 853 | | | | | | | | | 800 | |
| R0250 | 0 | 1,137 | | | | | | | | | | 1,069 | |
| R0260 | | | | | | | | | | | | Total | 2,436 |

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)

(absolute amount)

| Year | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0170 | C0180 |
|-------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-----------------|---------------------------|
| | Development year | | | | | | | | | | | In Current year | Sum of years (cumulative) |
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | |
| R0100 | Prior | | | | | | | | | | | 0 | 0 |
| R0160 | -9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0170 | -8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| R0180 | -7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | 0 |
| R0190 | -6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 0 | 0 |
| R0200 | -5 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 | 0 |
| R0210 | -4 | 0 | 0 | 0 | 0 | 0 | | | | | | 0 | 0 |
| R0220 | -3 | 0 | 0 | 0 | 0 | | | | | | | 0 | 0 |
| R0230 | -2 | 0 | 0 | 0 | | | | | | | | 0 | 0 |
| R0240 | -1 | 0 | 0 | | | | | | | | | 0 | 0 |
| R0250 | 0 | 0 | | | | | | | | | | 0 | 0 |
| R0260 | | | | | | | | | | | | 0 | 0 |
| | | | | | | | | | | | | Total | 0 |

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

| Year | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | C0360 | |
|-------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|----------------------------|---|
| | Development year | | | | | | | | | | | Year end (discounted data) | |
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | |
| R0100 | Prior | | | | | | | | | | | 0 | |
| R0160 | -9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| R0170 | -8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | |
| R0180 | -7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | |
| R0190 | -6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 0 | |
| R0200 | -5 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 | |
| R0210 | -4 | 0 | 0 | 0 | 0 | 0 | | | | | | 0 | |
| R0220 | -3 | 0 | 0 | 0 | 0 | | | | | | | 0 | |
| R0230 | -2 | 0 | 0 | 0 | | | | | | | | 0 | |
| R0240 | -1 | 0 | 0 | | | | | | | | | 0 | |
| R0250 | 0 | 0 | | | | | | | | | | 0 | |
| R0260 | | | | | | | | | | | | 0 | |
| | | | | | | | | | | | | Total | 0 |

S.23.01.01
Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

| | |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| R0010 | Ordinary share capital (gross of own shares) |
| R0030 | Share premium account related to ordinary share capital |
| R0040 | Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings |
| R0050 | Subordinated mutual member accounts |
| R0070 | Surplus funds |
| R0090 | Preference shares |
| R0110 | Share premium account related to preference shares |
| R0130 | Reconciliation reserve |
| R0140 | Subordinated liabilities |
| R0160 | An amount equal to the value of net deferred tax assets |
| R0180 | Other own fund items approved by the supervisory authority as basic own funds not specified above |
| 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 financial and credit institutions |
| R0290 | Total basic own funds after deductions |

Ancillary own funds

| | |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| R0300 | Unpaid and uncalled ordinary share capital callable on demand |
| R0310 | Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand |
| R0320 | Unpaid and uncalled preference shares callable on demand |
| R0330 | A legally binding commitment to subscribe and pay for subordinated liabilities on demand |
| R0340 | Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC |
| R0350 | Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC |
| R0360 | Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC |
| R0370 | Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC |
| R0390 | Other ancillary own funds |
| R0400 | Total ancillary own funds |

Available and eligible own funds

| | |
|-------|-------------------------------------------|
| R0500 | Total available own funds to meet the SCR |
| R0510 | Total available own funds to meet the MCR |
| R0540 | Total eligible own funds to meet the SCR |
| R0550 | Total eligible own funds to meet the MCR |

R0580 SCR

R0600 MCR

R0620 Ratio of Eligible own funds to SCR

R0640 Ratio of Eligible own funds to MCR

Reconciliation reserve

| | |
|-------|-------------------------------------------------------------------------------------------------------------|
| R0700 | Excess of assets over liabilities |
| R0710 | Own shares (held directly and indirectly) |
| R0720 | Foreseeable dividends, distributions and charges |
| R0730 | Other basic own fund items |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds |
| R0760 | Reconciliation reserve |

Expected profits

| | |
|-------|---------------------------------------------------------------------------|
| R0770 | Expected profits included in future premiums (EPIFP) - Life business |
| R0780 | Expected profits included in future premiums (EPIFP) - Non- life business |
| R0790 | Total Expected profits included in future premiums (EPIFP) |

| Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|-------|---------------------|-------------------|--------|--------|
| C0010 | C0020 | C0030 | C0040 | C0050 |
| 20 | 20 | | 0 | |
| 3,640 | 3,640 | | 0 | |
| 0 | 0 | | 0 | |
| 0 | | 0 | 0 | 0 |
| 0 | 0 | | | |
| 0 | | 0 | 0 | 0 |
| 0 | | 0 | 0 | 0 |
| 261 | 261 | | | |
| 0 | | 0 | 0 | 0 |
| 0 | | | | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | | | | |
| 3,921 | 3,921 | 0 | 0 | 0 |

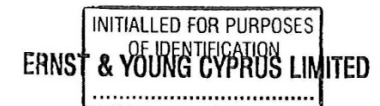
| | | | | |
|---|--|--|---|---|
| 0 | | | | |
| 0 | | | | |
| 0 | | | | |
| 0 | | | | |
| 0 | | | | |
| 0 | | | | |
| 0 | | | | |
| 0 | | | | |
| 0 | | | 0 | 0 |

| | | | | |
|-------|-------|---|---|---|
| 3,921 | 3,921 | 0 | 0 | 0 |
| 3,921 | 3,921 | 0 | 0 | |
| 3,921 | 3,921 | 0 | 0 | 0 |
| 3,921 | 3,921 | 0 | 0 | |

| |
|---------|
| 1,845 |
| 2,359 |
| 212.49% |
| 166.24% |

| C0060 |
|-------|
| 3,921 |
| 0 |
| |
| 3,660 |
| 0 |
| 261 |

| |
|-----|
| 604 |
| 604 |



S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

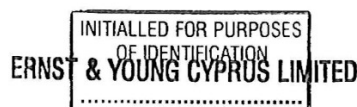
| | Gross solvency capital requirement | USP | Simplifications |
|---------------------------------------------------------------------------------------------------|------------------------------------|--------|-----------------|
| | C0110 | C0090 | C0120 |
| R0010 Market risk | 433 | | |
| R0020 Counterparty default risk | 1,049 | | |
| R0030 Life underwriting risk | 0 | | |
| R0040 Health underwriting risk | 0 | | |
| R0050 Non-life underwriting risk | 784 | | |
| R0060 Diversification | -499 | | |
| R0070 Intangible asset risk | 0 | | |
| R0100 Basic Solvency Capital Requirement | 1,767 | | |
| Calculation of Solvency Capital Requirement | | | |
| R0130 Operational risk | 79 | | |
| R0140 Loss-absorbing capacity of technical provisions | 0 | | |
| R0150 Loss-absorbing capacity of deferred taxes | | | |
| R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | 0 | | |
| R0200 Solvency Capital Requirement excluding capital add-on | 1,845 | | |
| R0210 Capital add-ons already set | 0 | | |
| R0211 <i>of which, capital add-ons already set - Article 37 (1) Type a</i> | 0 | | |
| R0212 <i>of which, capital add-ons already set - Article 37 (1) Type b</i> | 0 | | |
| R0213 <i>of which, capital add-ons already set - Article 37 (1) Type c</i> | 0 | | |
| R0214 <i>of which, capital add-ons already set - Article 37 (1) Type d</i> | 0 | | |
| R0220 Solvency capital requirement | 1,845 | | |
| Other information on SCR | | | |
| R0400 Capital requirement for duration-based equity risk sub-module | 0 | | |
| R0410 Total amount of Notional Solvency Capital Requirements for remaining part | 0 | | |
| R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds | 0 | | |
| R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | 0 | | |
| R0440 Diversification effects due to RFF nSCR aggregation for article 304 | 0 | | |
| | | Yes/No | |
| Approach to tax rate | | | |
| R0590 Approach based on average tax rate | | 0 | |
| Calculation of loss absorbing capacity of deferred taxes | | | |
| R0640 LAC DT | | | |
| R0650 LAC DT justified by reversion of deferred tax liabilities | | | |
| R0660 LAC DT justified by reference to probable future taxable economic profit | | | |
| R0670 LAC DT justified by carry back, current year | | | |
| R0680 LAC DT justified by carry back, future years | | | |
| R0690 Maximum LAC DT | | | |

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



The United Kingdom

Solvency and Financial Condition Report

Disclosures

20 February

2024

(Monetary amounts in GBP thousands)

General information

| | |
|-----------------------------------------------------|-----------------------------------------------------------------------------|
| Undertaking name | The United Kingdom Freight Demurrage and Defence Insurance (Europe) Limited |
| Undertaking identification code | 213800USL6J47FESOC07 |
| Type of code of undertaking | LEI |
| Type of undertaking | Non-Life insurance undertakings |
| Country of authorisation | CY |
| Language of reporting | en |
| Reporting reference date | 20 February 2024 |
| Currency used for reporting | GBP |
| Accounting standards | IFRS |
| Method of Calculation of the SCR | Standard formula |
| Matching adjustment | No use of matching adjustment |
| Volatility adjustment | No use of volatility adjustment |
| Transitional measure on the risk-free interest rate | No use of transitional measure on the risk-free interest rate |
| Transitional measure on technical provisions | No use of transitional measure on technical provisions |

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.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 | |
|----------------------|-------|
| C0010 | |
| | |
| | |
| | |
| | 0 |
| | 4,393 |
| | 0 |
| | 0 |
| | 0 |
| | |
| | |
| | 1,224 |
| | 1,224 |
| | 0 |
| | 0 |
| | 0 |
| | 3,168 |
| | |
| | 0 |
| | 0 |
| | |
| | 0 |
| | 0 |
| | |
| | 1,892 |
| | 1,892 |
| | 1,892 |
| | 0 |
| | 0 |
| | |
| | |
| | 0 |
| | 1 |
| | 21 |
| | 0 |
| | |
| | 0 |
| | 166 |
| | 15 |
| | 6,488 |

Assets

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

S.05.01.02

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

| Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | | | | | Line of business for: accepted non-proportional reinsurance | | | | Total | | | | |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|---------------------------------|-----------------------------------|-----------------------|------------------------------------------|---------------------------------------------|-----------------------------|---------------------------------|--------------------------|------------|----------------------|-------------------------------------------------------------|----------|--------------------------------|----------|-------|--|--|--|-------|
| Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Misc. financial loss | Health | Casualty | Marine, aviation and transport | Property | | | | | |
| C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0200 | | | | |
| Premiums written | | | | | | | | | | | | | | | | | | | | |
| R0110 | Gross - Direct Business | | | | | | | | | | | | | | | 2,635 | | | | 2,635 |
| R0120 | Gross - Proportional reinsurance accepted | | | | | | | | | | | | | | | | | | | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | | | 0 |
| R0140 | Reinsurers' share | | | | | | | | | | | | | | | | | | | 2,122 |
| R0200 | Net | | | | | | | | | | | | | | | | | | | 513 |
| Premiums earned | | | | | | | | | | | | | | | | | | | | |
| R0210 | Gross - Direct Business | | | | | | | | | | | | | | | 2,628 | | | | 2,628 |
| R0220 | Gross - Proportional reinsurance accepted | | | | | | | | | | | | | | | | | | | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | | | 0 |
| R0240 | Reinsurers' share | | | | | | | | | | | | | | | | | | | 2,117 |
| R0300 | Net | | | | | | | | | | | | | | | | | | | 512 |
| Claims incurred | | | | | | | | | | | | | | | | | | | | |
| R0310 | Gross - Direct Business | | | | | | | | | | | | | | | 967 | | | | 967 |
| R0320 | Gross - Proportional reinsurance accepted | | | | | | | | | | | | | | | | | | | 0 |
| R0330 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | | | 0 |
| R0340 | Reinsurers' share | | | | | | | | | | | | | | | | | | | 873 |
| R0400 | Net | | | | | | | | | | | | | | | | | | | 94 |
| R0550 | Expenses incurred | | | | | | | | | | | | | | | 513 | | | | 513 |
| R1210 | Balance - other technical expenses/income | | | | | | | | | | | | | | | | | | | -86 |
| R1300 | Total technical expenses | | | | | | | | | | | | | | | | | | | 427 |

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)

(absolute amount)

| Year | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0170 | C0180 |
|-------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-----------------|---------------------------|
| | Development year | | | | | | | | | | | In Current year | Sum of years (cumulative) |
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | |
| R0100 | Prior | | | | | | | | | | | 0 | 0 |
| R0160 | -9 | 0 | 2 | 54 | 125 | 240 | 8 | 0 | 0 | 0 | 3 | 0 | 433 |
| R0170 | -8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0180 | -7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0190 | -6 | 0 | 0 | 0 | 0 | 18 | 1 | 4 | | | | 4 | 24 |
| R0200 | -5 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 | 0 |
| R0210 | -4 | 0 | 3 | 13 | 14 | 0 | | | | | | 0 | 30 |
| R0220 | -3 | 2 | 21 | 0 | 2 | | | | | | | 2 | 25 |
| R0230 | -2 | 246 | 440 | 175 | | | | | | | | 175 | 862 |
| R0240 | -1 | 320 | 597 | | | | | | | | | 597 | 917 |
| R0250 | 0 | 146 | | | | | | | | | | 146 | 146 |
| R0260 | | | | | | | | | | | | Total | 926 |

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

| Year | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | C0360 | |
|-------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|----------------------------|--------------|
| | Development year | | | | | | | | | | | Year end (discounted data) | |
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | |
| R0100 | Prior | | | | | | | | | | | 0 | |
| R0160 | -9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19 | 22 | 21 | 20 | |
| R0170 | -8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| R0180 | -7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| R0190 | -6 | 0 | 0 | 0 | 0 | 0 | 3 | 3 | | | | 2 | |
| R0200 | -5 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 | |
| R0210 | -4 | 0 | 0 | 0 | 5 | 3 | | | | | | 3 | |
| R0220 | -3 | 0 | 0 | 5 | 4 | | | | | | | 4 | |
| R0230 | -2 | 1,802 | 856 | 569 | | | | | | | | 538 | |
| R0240 | -1 | 1,571 | 853 | | | | | | | | | 800 | |
| R0250 | 0 | 1,137 | | | | | | | | | | 1,069 | |
| R0260 | | | | | | | | | | | | Total | 2,436 |

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)

(absolute amount)

| Year | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0170 | C0180 |
|-------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-----------------|---------------------------|
| | Development year | | | | | | | | | | | In Current year | Sum of years (cumulative) |
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | |
| R0100 | Prior | | | | | | | | | | | 0 | 0 |
| R0160 | -9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0170 | -8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| R0180 | -7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | 0 |
| R0190 | -6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 0 | 0 |
| R0200 | -5 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 | 0 |
| R0210 | -4 | 0 | 0 | 0 | 0 | 0 | | | | | | 0 | 0 |
| R0220 | -3 | 0 | 0 | 0 | 0 | | | | | | | 0 | 0 |
| R0230 | -2 | 0 | 0 | 0 | | | | | | | | 0 | 0 |
| R0240 | -1 | 0 | 0 | | | | | | | | | 0 | 0 |
| R0250 | 0 | 0 | | | | | | | | | | 0 | 0 |
| R0260 | | | | | | | | | | | | 0 | 0 |
| | | | | | | | | | | | | Total | 0 |

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

| Year | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | C0360 | |
|-------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|----------------------------|---|
| | Development year | | | | | | | | | | | Year end (discounted data) | |
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | |
| R0100 | Prior | | | | | | | | | | | 0 | |
| R0160 | -9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| R0170 | -8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | |
| R0180 | -7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 | |
| R0190 | -6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 0 | |
| R0200 | -5 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 | |
| R0210 | -4 | 0 | 0 | 0 | 0 | 0 | | | | | | 0 | |
| R0220 | -3 | 0 | 0 | 0 | 0 | | | | | | | 0 | |
| R0230 | -2 | 0 | 0 | 0 | | | | | | | | 0 | |
| R0240 | -1 | 0 | 0 | | | | | | | | | 0 | |
| R0250 | 0 | 0 | | | | | | | | | | 0 | |
| R0260 | | | | | | | | | | | | 0 | |
| | | | | | | | | | | | | Total | 0 |

S.23.01.01
Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

| | |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| R0010 | Ordinary share capital (gross of own shares) |
| R0030 | Share premium account related to ordinary share capital |
| R0040 | Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings |
| R0050 | Subordinated mutual member accounts |
| R0070 | Surplus funds |
| R0090 | Preference shares |
| R0110 | Share premium account related to preference shares |
| R0130 | Reconciliation reserve |
| R0140 | Subordinated liabilities |
| R0160 | An amount equal to the value of net deferred tax assets |
| R0180 | Other own fund items approved by the supervisory authority as basic own funds not specified above |
| 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 financial and credit institutions |
| R0290 | Total basic own funds after deductions |

Ancillary own funds

| | |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| R0300 | Unpaid and uncalled ordinary share capital callable on demand |
| R0310 | Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand |
| R0320 | Unpaid and uncalled preference shares callable on demand |
| R0330 | A legally binding commitment to subscribe and pay for subordinated liabilities on demand |
| R0340 | Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC |
| R0350 | Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC |
| R0360 | Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC |
| R0370 | Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC |
| R0390 | Other ancillary own funds |
| R0400 | Total ancillary own funds |

Available and eligible own funds

| | |
|-------|-------------------------------------------|
| R0500 | Total available own funds to meet the SCR |
| R0510 | Total available own funds to meet the MCR |
| R0540 | Total eligible own funds to meet the SCR |
| R0550 | Total eligible own funds to meet the MCR |

R0580 SCR

R0600 MCR

R0620 Ratio of Eligible own funds to SCR

R0640 Ratio of Eligible own funds to MCR

Reconciliation reserve

| | |
|-------|-------------------------------------------------------------------------------------------------------------|
| R0700 | Excess of assets over liabilities |
| R0710 | Own shares (held directly and indirectly) |
| R0720 | Foreseeable dividends, distributions and charges |
| R0730 | Other basic own fund items |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds |
| R0760 | Reconciliation reserve |

Expected profits

| | |
|-------|---------------------------------------------------------------------------|
| R0770 | Expected profits included in future premiums (EPIFP) - Life business |
| R0780 | Expected profits included in future premiums (EPIFP) - Non- life business |
| R0790 | Total Expected profits included in future premiums (EPIFP) |

| Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|-------|---------------------|-------------------|--------|--------|
| C0010 | C0020 | C0030 | C0040 | C0050 |
| 20 | 20 | | 0 | |
| 3,640 | 3,640 | | 0 | |
| 0 | 0 | | 0 | |
| 0 | | 0 | 0 | 0 |
| 0 | 0 | | | |
| 0 | | 0 | 0 | 0 |
| 0 | | 0 | 0 | 0 |
| 261 | 261 | | | |
| 0 | | 0 | 0 | 0 |
| 0 | | | | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | | | | |
| 3,921 | 3,921 | 0 | 0 | 0 |

| | | | | |
|---|--|--|---|---|
| 0 | | | | |
| 0 | | | | |
| 0 | | | | |
| 0 | | | | |
| 0 | | | | |
| 0 | | | | |
| 0 | | | | |
| 0 | | | | |
| 0 | | | | |
| 0 | | | 0 | 0 |

| | | | | |
|-------|-------|---|---|---|
| 3,921 | 3,921 | 0 | 0 | 0 |
| 3,921 | 3,921 | 0 | 0 | |
| 3,921 | 3,921 | 0 | 0 | 0 |
| 3,921 | 3,921 | 0 | 0 | |

| |
|---------|
| 1,845 |
| 2,359 |
| 212.49% |
| 166.24% |

| C0060 |
|-------|
| 3,921 |
| 0 |
| |
| 3,660 |
| 0 |
| 261 |

| |
|-----|
| |
| 604 |
| 604 |

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

- R0010 Market risk
- R0020 Counterparty default risk
- R0030 Life underwriting risk
- R0040 Health underwriting risk
- R0050 Non-life underwriting risk
- R0060 Diversification

R0070 Intangible asset risk

R0100 **Basic Solvency Capital Requirement**

Calculation of Solvency Capital Requirement

- R0130 Operational risk
- R0140 Loss-absorbing capacity of technical provisions
- R0150 Loss-absorbing capacity of deferred taxes
- R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
- R0200 **Solvency Capital Requirement excluding capital add-on**
- R0210 Capital add-ons already set
- R0211 *of which, capital add-ons already set - Article 37 (1) Type a*
- R0212 *of which, capital add-ons already set - Article 37 (1) Type b*
- R0213 *of which, capital add-ons already set - Article 37 (1) Type c*
- R0214 *of which, capital add-ons already set - Article 37 (1) Type d*
- R0220 **Solvency capital requirement**

Other information on SCR

- R0400 Capital requirement for duration-based equity risk sub-module
- R0410 Total amount of Notional Solvency Capital Requirements for remaining part
- R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds
- R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
- R0440 Diversification effects due to RFF nSCR aggregation for article 304

Approach to tax rate

- R0590 Approach based on average tax rate

Calculation of loss absorbing capacity of deferred taxes

- R0640 LAC DT
- R0650 LAC DT justified by reversion of deferred tax liabilities
- R0660 LAC DT justified by reference to probable future taxable economic profit
- R0670 LAC DT justified by carry back, current year
- R0680 LAC DT justified by carry back, future years
- R0690 Maximum LAC DT

| Gross solvency capital requirement | USP | Simplifications |
|------------------------------------|-------|-----------------|
| C0110 | C0090 | C0120 |
| 433 | | |
| 1,049 | | |
| 0 | | |
| 0 | | |
| 784 | | |
| -499 | | |
| 0 | | |
| 1,767 | | |
| C0100 | | |
| 79 | | |
| 0 | | |
| | | |
| 0 | | |
| 1,845 | | |
| 0 | | |
| 0 | | |
| 0 | | |
| 0 | | |
| 1,845 | | |
| 0 | | |
| 0 | | |
| 0 | | |
| 0 | | |
| 0 | | |
| 0 | | |
| 0 | | |
| Yes/No | | |
| C0109 | | |
| 0 | | |
| LAC DT | | |
| C0130 | | |
| 0 | | |
| 0 | | |
| 0 | | |
| 0 | | |
| 0 | | |

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

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

R0010 MCR_{NL} Result

C0010
34

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

| | |
|---|-----|
| 0 | |
| 0 | |
| 0 | |
| 0 | |
| 0 | |
| 0 | |
| 0 | |
| 0 | |
| 0 | |
| 0 | |
| 0 | |
| 0 | 513 |
| 0 | |
| 0 | |
| 0 | |
| 0 | |
| 0 | |
| 0 | |

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040
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

| | |
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| | |

Overall MCR calculation

- R0300 Linear MCR
- R0310 SCR
- R0320 MCR cap
- R0330 MCR floor
- R0340 Combined MCR
- R0350 Absolute floor of the MCR
- R0400 Minimum Capital Requirement

C0070
34
1,845
830
461
461
2,359
2,359