

# Solvency and Financial Condition Report - 2023 Year End

International General Insurance Company (UK) Limited

## Table of Contents

<b>SUMMARY</b> .....	<b>3</b>
<b>A. BUSINESS AND PERFORMANCE</b> .....	<b>5</b>
A.1. BUSINESS.....	5
A.2. UNDERWRITING PERFORMANCE .....	7
A.3. INVESTMENT PERFORMANCE .....	10
A.4. PERFORMANCE OF OTHER ACTIVITIES .....	11
A.5. ANY OTHER INFORMATION .....	11
<b>B. SYSTEM OF GOVERNANCE</b> .....	<b>12</b>
B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE .....	12
B.2. FIT AND PROPER REQUIREMENTS.....	17
B.3. RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT .....	17
B.4. INTERNAL CONTROL SYSTEM .....	21
B.5. INTERNAL AUDIT FUNCTION .....	22
B.6. ACTUARIAL FUNCTION.....	22
B.7. OUTSOURCING .....	23
B.8. ANY OTHER INFORMATION .....	24
<b>C. RISK PROFILE</b> .....	<b>25</b>
C.1. UNDERWRITING RISK .....	25
C.2. MARKET RISK.....	28
C.3. CREDIT RISK .....	30
C.4. LIQUIDITY RISK .....	31
C.5. OPERATIONAL RISK .....	32
C.6. OTHER MATERIAL RISKS .....	33
C.7. OTHER MATERIAL INFORMATION.....	35
<b>D. VALUATION FOR SOLVENCY PURPOSES</b> .....	<b>38</b>
D.1. ASSETS.....	38
D.2. TECHNICAL PROVISIONS .....	39
D.3. OTHER LIABILITIES.....	48
D.4. ALTERNATIVE METHODS FOR VALUATION .....	48
D.5. OTHER MATERIAL INFORMATION.....	48
<b>E. CAPITAL MANAGEMENT</b> .....	<b>49</b>
E.1. OWN FUNDS.....	49
E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT.....	50
E.3. USE OF THE DURATION BASED EQUITY RISK SUB MODULE IN THE SCR CALCULATION .....	53
E.4. DIFFERENCE BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED.....	53
E.5. NON-COMPLIANCE WITH THE SCR AND MCR.....	53
E.6. OTHER MATERIAL INFORMATION.....	54
<b>F. QUANTITATIVE REPORTING TEMPLATES</b> .....	<b>55</b>
<b>G. APPROVAL</b> .....	<b>56</b>
<b>H. REPORT OF THE EXTERNAL AUDITORS</b> .....	<b>57</b>

## Summary

The purpose of the Solvency and Financial Condition Report ('SFCR') is to provide stakeholders with additional information over and above that contained in the annual financial statements. This SFCR is prepared in accordance with the requirements of the Prudential Regulation Authority ('PRA') Rulebook and in accordance with the Solvency II Regulations, which has been adopted in the UK as retained EU law following the UK's departure from the EU.

This report relates to International General Insurance Company (UK) Limited ('IGIUK' or 'the Company') for the year ended 31st December 2023.

The SFCR contains qualitative and quantitative information in relation to the business and performance of the Company, its system of governance, risk profile, valuation for solvency purposes and capital management. The SFCR has been approved by the IGIUK Board of Directors.

### Business and Performance

IGIUK is a non-life insurance company incorporated in the United Kingdom, authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and Financial Conduct Authority. IGIUK is a 100% subsidiary of IGI Bermuda.

The Group and the Company underwrite a world-wide portfolio of Energy (Upstream, Downstream, Renewable), Property, Contingency, Marine (Liability, Cargo, Trades), Construction and Engineering, Financial Institutions, Political Violence, General Aviation, Ports and Terminals, Casualty, Professional Indemnity ('PI'), Directors and Officers ('D&O'), Legal Expenses, Forestry and Proportional and Non-proportional Reinsurance Treaty business.

IGIUK posted a Gross Written Premium ('GWP') increase of 22% compared to 2022 whilst IGI Group GWP increased on a comparative basis by 18%. The Group saw higher volumes of premium across all lines of business except Professional and Financial Liability while IGIUK saw increases in GWP across all lines of business.

The Reinsurers' Share of Gross Earned Premium remained consistent at 77% compared to 76% in 2022.

The ratio of Net Acquisition Cost to Net Earned Premium for IGIUK reduced from 14% in 2022 to 8% in 2023 while the ratio of Net Claims to Net Earned Premium worsened from 37% in 2022 to 46% in 2023 partly due to movements in the GBP/USD exchange rate during the year.

IGIUK maintained a highly liquid asset portfolio comprised primarily of cash and fixed income securities, which represented just over 96% of invested assets at 31st December 2023.

### System of Governance

The Company maintains an efficient and sound organisational structure commensurate with its operational requirements and with a view to governing and managing its business efficiently and effectively. The executive management team consists of experienced insurance industry professionals with extensive international market experience and long histories of success in their respective specialist areas.

The primary responsibility of the Board of Directors is to provide effective governance over the Company's operations, risks and opportunities, for the benefit of its shareholders and to balance the interests of its diverse stakeholders, including customers, employees, international suppliers and local communities.

The IGIUK Board of Directors is supported by its Audit, Risk and Compliance Committee ('ARCC').

### Risk Profile

The Company's risk profile comprises of underwriting, market, credit, liquidity, operational, strategic, group contagion, reputational, ESG and other risks that arise as a result of doing business.

There has been no material change in IGIUK's risk profile over the reporting period.

Section C outlines the Company's risk management approach and key exposures for each category of risk as required by Solvency II Regulations.

### Valuation for Solvency Purposes

Section D provides details of the recognition and valuation principles applied, including the bases, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities for each material asset/liability class as required under the Valuation Part of the PRA Rulebook for Solvency II firms. The section also provides an analysis of how the valuation of assets and liabilities under PRA rules differ from those applied under the United Kingdom Generally Accepted Accounting Practice ('UK GAAP') valuation rules.

Section D.2 also provides the value of technical provisions, including the amount of the best estimate and the risk margin. An analysis of the key areas of uncertainties associated with the value of technical provisions is also provided.

### Capital Management

At 2023 year end, IGIUK Own Funds of US\$165,657k (2022: US\$135,644k) provided a Solvency Capital Requirement ('SCR') ratio of 176% (2022:152%) of the SCR which amounted to US\$94,255k. (2022: US\$89,127k)

During 2023, changes to the 'Bermuda Risk Transfer' ('BRT') arrangements that the Company has in place were considered in order to manage risks in the most effective way. Advice relating to the timing and methodology of reflecting the changes in the financial statements of IGI Group means that a loss of US\$7.2m relating to an economic value adjustment for the 2023 BRT will be booked in early 2024. Had this been booked in 2023, it would have reduced the solvency ratio from 176% to approximately 169%.

The Company has also adjusted the SCR to take into account the Loss Absorbing Capacity of Deferred Taxes ('LACDT') at US\$7,950k (2022: US\$ 2,555k).

During 2023, the Company maintained a SCR ratio in excess of 100% and the 130% risk appetite limit as set by the Board. Furthermore, the Company has no foreseeable risk of non-compliance given its relatively stable risk profile and extensive risk mitigation arrangements.

The policyholder obligations of IGIUK are fully guaranteed by International General Insurance Co. Ltd. ('IGI Bermuda').

From a regulatory capital perspective, IGI Bermuda (Consolidated) Statutory Economic Capital of US\$ 550.0m at 2023 YE provided US\$288.9m (US\$ 413.8m at 2022 YE) of headroom over the Bermuda Solvency Capital Requirement (a Solvency II equivalent measure) of US\$261.1m resulting in a 211% solvency ratio (179% at 2022 YE).

## A. Business and Performance

### A.1. Business

#### *Name and legal form of the undertaking*

IGIUK is a non-life insurance company incorporated in the United Kingdom, authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and Financial Conduct Authority. The address of the registered office of IGIUK is:

Forum House  
15–18 Lime Street  
London  
EC3M 7AN

#### *Details of Supervisory Authorities*

##### **Prudential Supervisor:**

Prudential Regulation Authority  
Bank of England  
20 Moorgate  
London  
EC2R 6DA

##### **Conduct Supervisor:**

Financial Conduct Authority  
12 Endeavour Square  
London  
E20 1JN

#### *External Auditor*

Ernst & Young LLP  
25 Churchill Place  
London E14 5EY

#### *Ownership and Shareholdings*

As at YE 2023 IGIUK is 100% owned by International General Insurance Co. Ltd. ('IGI Bermuda') which in turn is ultimately owned by International General Insurance Holdings Ltd. ('IGI Group'), a Nasdaq-listed company incorporated in Bermuda in 2019. The following shareholdings of more than 10% in IGI Group are provided in the table below:

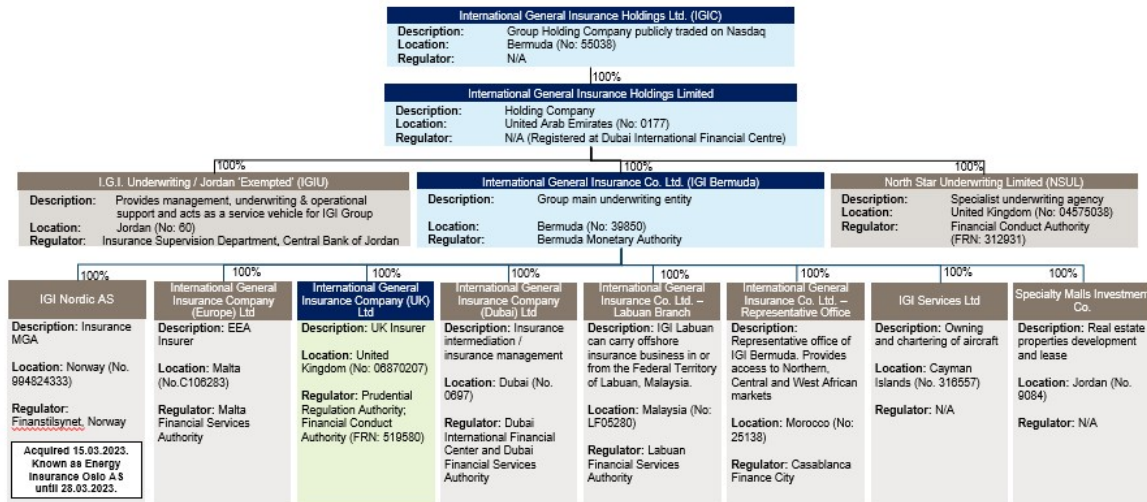
Shareholder	% Holding (Note 1)
W. Jabsheh Investment Company <sup>(Note 2)</sup>	31.2
Oman International Development and Investment Company SAOG (through its subsidiary Jabreen Capital)	20.8

Note 1 - The % Holding includes common shares only.

Note 2 - As from 17th March 2023, Wasef Salim Jabsheh has held his shares through W. Jabsheh Investment Co. Ltd. W. Jabsheh Investment Co. Ltd. ownership is 30.9% however, incorporating Wasef Jabsheh shares (who fully owns W. Jabsheh Investment Co. Ltd.) then the percentage is 31.20%.

## Corporate Structure

The full Group corporate structure as at 2023 year end is detailed below:



International General Insurance Holdings Limited ('IGIH') is a non-regulated holding company registered and domiciled in the Dubai International Financial Centre ('DIFC') which previously acted as a holding company of the Group and was founded in 2006.

IGI Bermuda is a Class 3B (re)insurer regulated by the Bermuda Monetary Authority ('BMA') and acts as the principal underwriting entity for the IGI Group.

IGI Underwriting / Jordan 'Exempted' ('IGIU') provides management, underwriting and operational support for all the subsidiaries of the IGI Group. It is a wholly owned subsidiary of IGIH.

North Star Underwriting Limited ('NSUL') operates as an underwriting agency for IGI Bermuda and IGIUK. It is a wholly owned subsidiary of IGIH.

International General Insurance Company (Europe) Ltd ('IGIE') is a company incorporated in Malta and authorised by the Malta Financial Services Authority ('MFSA') to carry on the business of insurance and reinsurance in terms of the Insurance Business Act (Cap 403 of the laws of Malta). It is a wholly owned subsidiary of IGI Bermuda. The MFSA approved the change from a SE Company to a Public Limited Company ('PLC') with effect from 28th August 2023. The MFSA also approved the change from a PLC to Private Limited Liability Company ('Ltd') with effect from 6th December 2023.

IGI Labuan branch is registered as a foreign offshore company of IGI Bermuda in Labuan in accordance with section 121 of the Offshore Companies Act 1990. IGI Labuan is classified as a second-tier reinsurer and regulated by the Labuan Financial Services Authority and acts as an offshore capitalised branch of IGI Bermuda. It is supported by a marketing office in Kuala Lumpur.

IGI Dubai is regulated by the DFSA for Insurance Intermediation and Insurance Management. IGI Dubai acts as an intermediary and agent of IGI Bermuda, underwriting a number of classes as an underwriting agent of IGI Bermuda.

IGI Casablanca acts as the representative office of IGI Bermuda for Northern, Central and West African markets and is regulated by Casablanca Finance City.

Following the completion of the acquisition of Norway-based managing general agency Energy Insurance Oslo AS, IGI Nordic AS is a subsidiary of Bermuda-based International General Insurance Co. Ltd. and a managing general agency duly incorporated under the laws of Norway.

IGI Services was established in the Cayman Islands in October 2016 and is engaged in the business of owning and chartering of aircraft. The Company is a wholly owned subsidiary of IGI Bermuda.

Specialty Malls Investments Co. is a limited liability company registered and incorporated in August 2004 under the Jordanian Companies Law No. (22) of 1997. The Company's office is located in Jordan and the main business objectives of the Company are developing and leasing of real estate properties. The Company is a wholly owned subsidiary of IGI Bermuda.

### *Business Information and other events*

The Group underwrites a world-wide portfolio of Energy (Upstream, Downstream, Renewable), Property, Contingency, Marine (Liability, Cargo, Trades), Construction and Engineering, Financial Institutions, Political Violence, General Aviation, Ports and Terminals, Casualty, Professional Indemnity ('PI'), Directors and Officers ('D&O'), Legal Expenses, Forestry and Proportional and Non-proportional Reinsurance Treaty business through its operating platforms including IGIUK. In total, the Group has exposures in over 200 countries and territories.

IGIUK was incorporated in April 2009, became authorised in March 2011 and began writing business on 1st July 2011. It is authorised by the Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the Prudential Regulation Authority. IGIUK is a 100% subsidiary of IGI Bermuda.

IGI Bermuda provided the initial start-up capital of IGIUK and continues to support the business including through the provision of a 65% (increased from 50% from 1st January 2021 onwards) intragroup quota share reinsurance and Parental Guarantee providing an additional layer of policyholder protection over and above that provided by IGIUK's own capital resources.

IGI Bermuda and IGIUK are rated A- with a stable outlook by Standard & Poor's which was reaffirmed during 2023. AM Best also reaffirmed during 2023 IGI Group's financial strength rating at A (Excellent) with a stable outlook.

The policyholder obligations of IGIUK are fully guaranteed by IGI Bermuda. From a regulatory capital perspective, IGI Bermuda (Consolidated) Statutory Capital of US\$550.0m provided US\$288.9m of headroom over its Bermuda Solvency Capital Requirement (a Solvency II equivalent measure) resulting in a 211% solvency ratio at 2023 year end.

At 2023 year end, IGIUK Own Funds of US\$165,657k provided a solvency ratio of 176% of the SCR which amounted to US\$94,255k. Had the loss of US\$7.2m relating to an economic value adjustment for the 2023 BRT been booked in 2023 (see above), it would have reduced the solvency ratio from 176% to approximately 169%.

## **A.2. Underwriting Performance**

The IGI Group has adopted a strategy focused on a careful and disciplined underwriting philosophy since inception, which it continues to develop and enhance with continuous emphasis on specialty lines.

The IGI Group focuses on the profitability of the policies that it underwrites rather than on volume of business, relying on a team of experienced underwriters with strong, long-standing relationships with brokers and reinsurers.

With effect from 1st January 2023, IGIUK has adopted UK GAAP following a transition from International Financial Reporting Standards ('IFRS'). On the same date the Group has adopted accounting principles generally accepted in the United States of America ('US GAAP'), also transitioning from International

Financial Reporting Standards ('IFRS'). The 2022 comparatives in the tables below have been restated under UK GAAP or US GAAP as applicable.

The underwriting performance of IGIUK vis-a-vis IGI Group for the years ended 31st December 2023 and 2022 is provided below:

US\$'000	IGIUK 2023	IGIUK 2022	Group 2023	Group 2022
Gross Written Premium ('GWP')	372,892	305,440	688,678	581,983
Gross Earned Premium ('GEP')	337,455	283,316	635,014	556,503
Reinsurers Share of GEP	(260,018)	(216,721)	(187,862)	(180,112)
Net Earned Premium ('NEP')	77,437	66,595	447,152	376,390
Net Acquisition Cost	(6,252)	(9,116)	(74,976)	(70,199)
Net Claims	(35,509)	(24,840)	(189,087)	(157,562)
Underwriting Result	35,676	32,639	183,089	148,629
Net Loss Ratio	46%	37%	42%	42%
Combined Ratio	81%	79%	77%	78%

*IGIUK - Underwriting Result by material lines of business for 31st December 2023*

US\$'000	Energy	Marine and Aviation	Professional & Financial Liability	Property & Contingency	Reinsurance	Total
Gross Written Premiums	45,393	38,528	179,787	107,958	1,226	<b>372,892</b>
Net Earned Premiums	9,990	10,104	40,077	16,865	401	<b>77,437</b>
Net Acquisition Cost	(712)	(1,572)	(3,418)	(579)	29	<b>(6,252)</b>
Net Claims Incurred	(5,963)	(5,597)	(18,625)	(5,283)	(41)	<b>(35,509)</b>
Underwriting Result	3,315	2,935	18,034	11,003	389	<b>35,676</b>

*IGIUK - Underwriting Result by material lines of business for 31st December 2022*

US\$'000	Energy	Marine and Aviation	Professional & Financial Liability	Property & Contingency	Reinsurance	Total
Gross Written Premiums	33,835	33,565	179,251	58,172	617	<b>305,440</b>
Net Earned Premiums	4,183	9,281	44,402	8,426	303	<b>66,595</b>
Net Acquisition Cost	(679)	(1,743)	(5,581)	(1,112)	(1)	<b>(9,116)</b>
Net Claims Incurred	(2,087)	(4,646)	(10,973)	(6,939)	(195)	<b>(24,840)</b>
Underwriting Result	1,417	2,892	27,848	375	107	<b>32,639</b>

**Energy:** Energy (Upstream, Downstream, Renewable)

**Marine and Aviation:** Ports and Terminals, Marine Liability, Marine Cargo, Marine Trades, General Aviation

**Professional and Financial Liability:** Financial Institutions, Professional Indemnity, Directors and Officers, Casualty, Legal Expenses

**Property:** Property, Forestry, Construction and Engineering, Political Violence, Contingency

**Reinsurance:** Treaty Reinsurance

*Group - Underwriting Result by material line of business for 31st December 2023*

<i>US\$'000</i>	Energy	Marine and Aviation	Professional & Financial Liability	Property & Contingency	Reinsurance	Total
Gross Written Premiums	145,864	72,412	213,619	195,649	61,134	<b>688,678</b>
Net Earned Premiums	86,667	53,281	148,837	105,129	53,238	<b>447,152</b>
Net Acquisition Cost	(10,533)	(13,038)	(28,684)	(14,902)	(7,819)	<b>(74,976)</b>
Net Claims Incurred	(49,425)	(30,922)	(57,214)	(24,774)	(26,752)	<b>(189,087)</b>
Underwriting Result	26,709	9,321	62,939	65,453	18,667	<b>183,089</b>

*Group - Underwriting Result by material line of business for 31st December 2022*

<i>US\$'000</i>	Energy	Marine and Aviation	Professional & Financial Liability	Property & Contingency	Reinsurance	Total
Gross Written Premiums	117,609	64,429	221,572	146,848	31,525	<b>581,983</b>
Net Earned Premiums	62,185	47,257	160,371	76,266	30,311	<b>376,390</b>
Net Acquisition Cost	(11,071)	(10,796)	(30,686)	(12,039)	(5,607)	<b>(70,199)</b>
Net Claims Incurred	(22,777)	(25,640)	(38,807)	(53,248)	(17,090)	<b>(157,562)</b>
Underwriting Result	28,337	10,821	90,878	10,979	7,614	<b>148,629</b>

Gross Written Premiums for standalone IGIUK posted an increase of 22% compared to 2022 whilst IGI Group premiums increased on a comparative basis by 18%. The Group saw higher volumes of premium across all lines of business except Professional and Financial Liability while IGIUK saw increases in Gross Written Premium across all lines of business.

The Reinsurers' Share of Gross Earned Premium remained consistent at 77% compared to 76% in 2022.

The ratio of Net Acquisition Cost to Net Earned Premium for IGIUK reduced from 14% in 2022 to 8% in 2023 while the ratio of Net Claims to Net Earned Premium worsened from 37% in 2022 to 46% in 2023 partly due to movements in the GBP/USD exchange rate during the year.

### A.3. Investment Performance

#### *Investment Portfolio Composition*

A summary of the Investment Portfolio by asset class as at 31st December 2023 is given below:

<i>US\$'000</i>	IGIUK Carrying Values	IGIUK Composition %	Group Carrying Values	Group Composition %
Term Deposits	35,841	17.0%	204,045	20.2%
Fixed Income Securities	167,201	79.2%	767,584	75.8%
Equity Shares	8,019	3.8%	26,208	2.6%
Investment in Associates	-	-	3,522	0.3%
Quoted Funds	-	-	11,060	1.1%
<b>Total</b>	<b>211,061</b>	<b>100.0%</b>	<b>1,012,419</b>	<b>100.0%</b>

The IGIUK Board has adopted an Investment Policy and Guidelines similar to that of IGI Group with a focus on Cash, Short Term Deposits and Fixed Income Securities with a small holding of listed equities.

At 2023 year end, IGIUK did not hold any investments outside these highly liquid asset classes compared to the IGI Group's holding of approximately 1.4% of Investments in Associates and Quoted Funds.

In addition to the US\$211.1m of Investments shown above, the Company held US\$55.2m in interest bearing deposits that from a risk perspective can be considered as similar to Term Deposits. As these deposits incorporate a call facility however, for the purposes of internal investment reporting they are considered as Cash / Cash Equivalents.

The investment strategy is comprised of high-level objectives and prescribed investment guidelines governing target asset allocation by class. The actual asset allocation mix has adhered to these targets with only minor variations driven by broader changes to the macro-economic environment. The Company does not however actively change its investments in response to short-term factors such as increased volatility or changes in market sentiment.

The IGI Group uses a panel of high-quality third-party custodians/brokers who also act as investment advisors and assist in implementing the investment strategy. The IGI Group's Vice President–Investment is responsible for implementing the investment strategy and routinely monitors the portfolio to ensure that these parameters are being met and the portfolio is behaving appropriately with further independent oversight provided through the Risk function and associated Board reporting.

#### *Investment Portfolio Performance*

The IGI Group maintains a highly liquid portfolio comprised primarily of cash and fixed income securities, which represented 96% of invested assets at 31st December 2023.

The following table shows the Return on Investment ('ROI') achieved by IGIUK against that of the overall IGI Group for the financial years 2022 and 2023 by Asset Class:

Return on Investment by Asset Class	IGIUK 2023	IGIUK 2022	Group 2023	Group 2022
Term Deposits	4.1%	1.3%	8.1%	2.7%
Fixed Income Securities	8.5%	2.8%	2.9%	2.6%
Equity Shares	12.0%	11.9%	34.8%	(5.7%)
Real Estate	-	-	(16.9%)	(2.4%)
Total Investment Return	6.9%	2.5%	5.0%	2.0%
<b>Income Statement US\$'000</b>	<b>18,543</b>	<b>6,458</b>	<b>50,235</b>	<b>16,573</b>

IGIUK returns on Term Deposits increased from 1.3% in 2022 to 4.1% in 2023 reflecting the increases in interest rates during the year from the very low rates previously available.

Returns on Fixed Income Securities in the IGIUK Investment Return increased on a year-on-year basis while the return on Equities remained consistent.

#### *Gains and losses recognised directly in equity*

No gains or losses were recognised directly in equity during 2023 whereas, in 2022, in addition to the return on investments included above, an unrealised loss of US\$18,895k was recognised directly in equity as Other Comprehensive Income.

#### *Information about any investments in securitisations*

There were no investments in securitisation as at 31st December 2023.

### **A.4. Performance of Other Activities**

There have been no other significant activities undertaken by IGIUK other than its insurance related activities. There are no other material matters to the business or performance of IGIUK.

### **A.5. Any Other Information**

Geopolitical risks continue to be a key area of uncertainty, particularly in respect of the Russia / Ukraine war since February 2022 and the war between Israel and Hamas since October 2023. Whilst the Company has minimal insurance exposures to these conflicts, there may be subsequent issues including international sanctions, political instability, and disruption to supply chains which could have an impact to IGI in the future.

The Company is also aware of the potential risks relating to civil unrest due to several elections taking place during 2024, including Bangladesh, India, USA, Indonesia, Pakistan, Russia, Mexico, and the UK general election to occur before 28th January 2025. These geopolitical risks are monitored continuously in respect of exposures to the Political Violence class and the wider IGI business.

#### *Other material information*

There is no further information that requires disclosure.

## B. System of Governance

This section provides information regarding the system of governance, fit and proper requirements and assessment, remuneration policy and practices, risk management system, key functions and outsourcing policy.

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

This section provides detail of the Company's governance structure along with roles and responsibilities of the Board of Directors, Board committees and key functions.

#### *Governance Structure*

The IGIUK Board of Directors is supported by its Audit, Risk and Compliance Committee ('ARCC').

Audit, Nominating/Governance and Compensation Committees operate at the level of the IGI Group Board and provide necessary support to IGIUK, with the IGIUK Board maintaining full and independent autonomy as per the terms of reference of the Board.

The following IGI Group Executive Management Committees support both the Group and Subsidiary Boards (including IGIUK) and management:

- Executive Risk Management Committee;
- Underwriting Governance Committee;
- Delegated Authority Committee (including Product Oversight Group);
- Reinsurance Security Committee;
- Reserving Committee;
- Disclosure Committee; and
- Environmental, Social and Governance Committee.

In addition, IGIUK operates its own Management Committee comprised of senior management across the Underwriting, Finance, Risk, Compliance, Audit, HR and Actuarial functions.

IGIUK has adopted the IGI Group 'Corporate Code of Business Conduct and Ethics policy' that applies to the Board of Directors, its committees, the senior management and the staff members of IGIUK, all IGI Group operational entities and contractors who provide significant services to the IGI Group. The Code ensures that the Board of Directors, all employees of IGI Group and contractors act in the best interests of the Company while maintaining full compliance with the laws, rules and regulations of the jurisdictions in which it operates.

IGIUK has also adopted a 'Financial Code of Ethics' applicable to the Chief Executive Officer, Chief Financial Officer, Finance Director and other relevant officers.

IGI Group maintains an efficient and sound organisational structure commensurate with its operational requirement and with a view to governing and managing its business efficiently and effectively.

The executive management team consists of experienced insurance industry professionals with extensive international market experience and long histories of success in their respective specialist areas. The following outlines the governance structure of IGIUK including the membership of the Board and its Audit, Risk and Compliance Committee ('ARCC') at the 2023 year end:

Individual	Executive/Non-Exec	Board	Audit, Risk and Compliance Committee
Christopher Clark	Independent Non-Exec	Yes	Yes
Stuart Purdy	Independent Non-Exec	Yes	Chair
Walid Jabsheh	Executive	Yes	
Wasef Jabsheh	Non-Exec	Yes	
Andreas Loucaides	Executive	Yes	
Paul Martin	Independent Non-Exec	Chair	Yes
Cliff Murphy	Executive	Yes	

The primary responsibility of the Board of Directors is to provide effective governance over the Company's operations, risks and opportunities, for the benefit of its Shareholders and to balance the interests of its diverse stakeholders, including customers, employees, international suppliers and local communities.

The Board of Directors is responsible for providing leadership, integrity and judgement in directing the activities of the Company and for setting the goals and strategies necessary to operate and to provide oversight for the implementation of those strategies carried out by the executive management. Potential conflicts of interest are discussed and disclosed at the start of every Board meeting.

The Board fulfils its duties and obligations through its following committees:

#### **Audit, Risk and Compliance Committee (UK Committee)**

The Committee's terms of reference are largely based on the terms of reference recommended by the UK's Financial Reporting Council. The Committee meets at least quarterly and at such other times as deemed necessary by the Board.

The Committee is comprised solely of Independent Non-Executive Directors ('INED') and is chaired by an INED who has significant experience of insurance and audit committees, with the other two members bringing extensive experience in the areas of Underwriting, Risk, Finance and Actuarial management, one of whom is a qualified Actuary.

It is attended by members of the UK executive team and draws upon executives from the Group to provide specific subject matter expertise and input as required.

The Committee's objective is to assist the Board in fulfilling its financial and statutory reporting, controls and compliance responsibilities to achieve the Company's goals while protecting shareholder interest. These oversight responsibilities span key functions including risk management, business continuity management, compliance including financial crime and whistleblowing, internal audit and reserving. The Committee also oversees the appointment and engagement of the Company's external auditors.

The Committee is authorised to investigate any matter within its remit, seek any information from the Directors and/or employees which is necessary to satisfactorily discharge its duties and make recommendations to the Board where action or improvement is needed.

#### **Compensation Committee (Group Committee)**

IGI Group's Board of Directors has a Compensation Committee consisting of Walid Jabsheh, David Anthony and Andrew Poole. David Anthony, an Independent Non-Executive Director is the chair of the Compensation Committee.

The IGI Group has adopted a Compensation Committee Charter which sets forth the requirements for Compensation Committee members and the responsibilities of the Compensation Committee.

The purpose of the Compensation Committee is to review, evaluate and approve compensation paid to IGI's officers and directors and to administer IGI Group's incentive compensation plans, including authority to make and modify awards under such plans. Each year, the Compensation Committee will review and make recommendations to the Board of Directors with respect to incentive-compensation plans and equity-based plans. The Compensation Committee will make recommendations to the IGI Group Board with respect to the compensation of the IGI Group's Chief Executive Officer and, in consultation with the Chief Executive Officer, other executive officers, as well as directors. Senior IGIUK employee basic salary and bonuses are also shared with the IGIUK Board and ARCC Chairs for information and feedback. The Compensation Committee meets at least twice per year and as frequently as circumstances dictate. The Committee reviews the Compensation Committee Charter at least annually.

### **Nominating/Governance Committee (Group Committee)**

IGI Group's Board of Directors has a Nominating/Governance Committee with a majority of independent directors. The members of the Nominating/Governance Committee are Walid Jabsheh, Michael Gray and David King. David King is the chair of IGI Group's Nominating/Governance Committee. The Nominating/Governance Committee is responsible for overseeing the selection of persons to be nominated to serve on IGI Group's Board of Directors. It also advises the IGI Group's Board and makes recommendations regarding appropriate corporate governance practices and assists the Board in implementing those practices. Any recommendations pertaining to the IGIUK system of governance are brought forward to the Company and are discussed and approved by the IGIUK Board.

The IGI Group has adopted a Nominating/Governance Committee Charter which sets forth the requirements for the committee members and the responsibilities of the committee.

The Committee meets regularly, in line with the meetings of the IGI Group Board or as frequently as circumstances dictate.

### *Main roles and responsibilities of key functions*

IGIUK has in place four key control functions, being the Risk Management, Compliance, Actuarial and Internal Audit functions, as required by Solvency II.

### **Risk Management Function**

Is responsible for:

- Maintaining and developing the Risk and Capital Management Framework across the IGI Group, whilst supporting the effective identification, monitoring, management and reporting of internal and external risks;
- Embedding an enterprise risk culture throughout the IGI Group;
- Maintaining the annual risk management plan and reporting on progress to the Board on a quarterly basis;
- Assisting in the identification of all material risks, including sustainability risk and emerging risks faced by the business and managing the continuous monitoring and reporting of all risks in conjunction with 1st and 2nd line functions;
- Ensuring that the risk and control ownership is allocated to the most appropriate senior manager and facilitating regular risk and control reviews and reporting findings to the Board;

- Assisting the evaluation, monitoring and reporting of the regulatory capital requirements of the Company using the Standard Formula; and
- Maintaining and developing appropriate stress and scenario tests and reverse stress tests and reporting the results of such tests and any recommended remedial actions appropriately.

Further details are provided in section B.3.

### Compliance Function

The Compliance function is involved in:

- Identifying and assessing compliance risks;
- Advising the Board of Directors on compliance and regulatory matters;
- Assessing the impact of any changes in legislation and regulation;
- Establishing a compliance plan;
- Ensuring that the Company adheres to all applicable laws, rules and regulations; and
- Providing training programmes for staff on compliance issues.

Further details are provided in section B.4.

### Internal Audit Function

The Internal Audit function acts as the third line of defence. The function provides an independent and objective assurance to the Board on the effectiveness of the Company's risk management system, governance and internal controls. This is achieved through the preparation and implementation of an annual internal audit plan that utilises risk analysis and ensures that there are sufficient checks and balances throughout the Company and its outsourced third-party service providers which are critical to the Company's operations.

Further details are provided in section B.5.

### Actuarial Function

- Coordination and validation of the calculation of technical provisions, while ensuring that the methodologies, models, assumptions and data used in the calculation are appropriate;
- Calculation of best estimates of premium provisions and claims provisions and for each Line of Business;
- Express an opinion on the overall underwriting policy and the adequacy of reinsurance arrangements; and
- Contribute to the effective implementation of the risk management system.

Further details are provided in section B.6.

### *Material Changes During the Period*

On 15th January 2023, Tandy Harris commenced his role as IGI Chief Human Resources Officer, succeeding Sufian Al Salman.

From 28th February 2023, Christopher Jarvis was appointed SMF23 (Chief Underwriting Officer). Walid Jabsheh rescinded the SMF23 (Chief Underwriting Officer) role effective 13th September 2023, being the same day as he was re-confirmed as SMF3 (Executive Director).

Stuart Purdy was appointed as SMF14 (Senior Independent Director) role, effective 16th August 2023. This was in addition to his existing roles of SMF10 (Chair of the Risk Committee) and SMF11 (Chair of the Audit Committee), both roles effective 26th October 2022.

At year end 2023, Stavros Tsielepis held the SMF4 (Group Chief Risk) role and the SMF20 (Group Chief Actuary) role, with appointment dates of 12th May 2022 and 22nd September 2023 respectively. The appointment as SMF20 (Group Chief Actuary) followed the death of Stephen Rix who previously held the role.

Donal Barrett joined as Group Head of Risk on 25th September 2023. From 12th February 2024, Donal Barrett was appointed to the SMF4 (Group Chief Risk Officer) role.

### *Remuneration Policy and Practices*

The remuneration policy and practices in respect of executives and employees are designed to compensate employees equitably based on their performance, consistent with the Company's business needs and financial strength and in a way that does not discriminate against anyone in accordance with the terms of the IGI Employee Diversity and Inclusion Policy.

The Company pays an employee a basic salary that is considered appropriate given the market rate for the role being performed. IGI Group's pay philosophy is committed to attracting the required talent globally and conducts an analysis of country and local relevant benchmarking data to ensure the accuracy of both variable and fixed remuneration.

Executive directors are remunerated in accordance with their employment contracts issued and executed in their relevant entity country.

In addition to fixed salary entitlement, IGI Group rewards employees with discretionary Short-Term Incentives ('STI') in the form of annual cash bonuses. The STI bonus awards are at the Company's discretion and do not constitute a contractual right. The STI bonus is based on the employee's individual performance and the profitability of the Group. The STI remuneration provides incentives for prudent risk taking in the short term, long term, and for sound risk management. Discretionary Long-Term Incentives (LTI) may also be rewarded to Executive and Senior Management in the form of Restricted Share Units in IGI Holdings Ltd. in accordance with the IGI Holdings Ltd. 2020 Omnibus Incentive Plan.

Executive Directors and all employees are also eligible for Company pension contributions that are set according to local market practice and at a level that assists the Company in attracting and retaining high quality individuals.

Independent Non-Executive Board members are compensated via the terms of their respective Service Agreements or Terms of Appointment Letters.

### *Material Transactions during the reporting period*

IGIUK is 100% owned by its parent company IGI Bermuda.

There have been no material transactions during 2023 with shareholders, with persons who exercise a significant influence on the undertaking, or with members of the Board other than the continuation of the intragroup quota share reinsurance arrangements with the following exceptions:

Wasef Salim Jabsheh, as a 30% or more but less than 50% band controller via a 100% shareholding in W. Jabsheh Investment Co. Ltd. As from 17th March 2023, Wasef Salim Jabsheh has held his shares directly and through W. Jabsheh Investment Co. Ltd.

On 2nd March 2023, Oman International Development and Investment Company SAOG 'OMINVEST' (through its subsidiary Jabreen Capital) lodged a Schedule 13D/A with the SEC which indicated that the combined effect on their shareholding was to increase it to 20.8% on 23rd February 2023. This increase had occurred due to a combination of open market trading in early 2023, and then a one-off private transaction on 21st February 2023. IGIUK has also received confirmation of PRA approval to this transaction.

## B.2. Fit and Proper Requirements

The Company has a policy to ensure that persons appointed to carry out a senior management role or key function are 'fit and proper' to perform the role. This includes demonstrating prior to appointment and on an ongoing basis that the individual:

- possesses the level of competence, knowledge, experience, qualifications, and has undertaken the required training;
- acts with integrity, due skill, care, diligence, honesty, and has sound judgment to properly perform their duties;
- past conduct and performance reflects high standards;
- is not disqualified from acting in their position or performing their duties in terms of any legislation; and
- complies with Conduct Standards/Rules.

The assessment includes an extensive range of background checks which include but are not limited to:

- The fit and proper declaration form to be completed by the applicant;
- The undertaking of credit checks to determine the status of the person's credit record;
- The checking of qualifications and work experience;
- The undertaking of background checks for violation of any regulations; and
- Undertaking of checks via the internet or any other means for any other adverse information relating to the person.

## B.3. Risk Management System Including the Own Risk and Solvency Assessment

### *Risk Management System*

IGI Group and IGIUK closely monitor and manage risk exposures and the aggregate risk profile through a dedicated Risk function operating processes aimed at containing volatility, ensuring adequate policyholder protection at all times, and optimising risk / return profiles through the use of effective capital allocation.

Risk management system oversight is the responsibility of the relevant Board of Directors with delegation of risk-related decisions as appropriate to the IGI Group Audit Committee and the IGIUK ARCC.

The Group Head of Risk reports directly to the two committees. The governance structure includes well-defined lines of accountability for individuals, committees and boards and is laid out in the IGI Group's Risk and Capital Management Framework. As with other business functions, the risk management function is subject to Internal Audit.

IGI Group has a comprehensive risk framework designed around a clear understanding of the sources and nature of risks faced by the business, consistent with the good practice adopted by our regulators.

The key objectives of the framework include:

- delivering an acceptable balance of risk / return volatility;
- ensuring the ability of the business to withstand severe but plausible stresses;
- maintaining sufficient liquidity at all times to service policyholder obligations; and
- minimising exposure to non-core risks with no potential for value creation.

The risk function provides detailed Risk and Capital reporting to the Board at least quarterly encompassing the full scope of the risk universe and against the Board's defined Risk Appetites.

In the event of an actual, projected or proposed material change in the risk profile, the function performs an analysis to understand the potential implications from a risk and capital perspective ensuring that the results of the self-assessment form an integral part of the management and strategic decision-making process.

In addition to this ongoing monitoring and reporting, the function provides regulatory reporting on an annual/triennial basis including the Commercial Insurer's Solvency Self-Assessment ('CISSA'), Financial Condition Report ('FCR'), Own Risk and Solvency Assessment ('ORSA') and Solvency and Financial Condition Report ('SFCR') for the Bermuda BMA and UK PRA authorities respectively.

### **Risk identification**

On a quarterly basis, Risk Owners are required to formally reassess and reaffirm the full scope of risks and emerging risks, and associated core processes and controls, for which they are responsible through discussion with the Risk function. Any changes to existing items, including the addition of new risks etc. are considered during this discussion to ensure that all significant operational risks faced by the Company are well understood and monitored on a regular basis.

### **Risk assessment**

IGI Group embedded a Group-wide Risk and Control Self-Assessment ('RCSA') framework whereby a qualitative assessment for all the operational risks (failure of people, processes, systems etc.) not explicitly covered by the Standard Formula is carried out as part of the assessment of controls in place to ensure that they remain effective and the level of risk remains within the appetite of IGI Group. The aim is to articulate risks and controls clearly and at a level that they can be monitored against and audited more effectively providing a comprehensive assessment of the control's environment in place.

The assessments of risks and controls are performed through discussions with Risk and Control Owners and challenged by the Risk Management function. All key risks are assigned inherent and residual probability and severity ratings, taking into consideration the controls in place and their effectiveness. Controls are rated as Fully Effective, Partially Effective or Not in Effect, based on supporting narrative provided by Control Owners.

In respect of prioritising operational risks, Risk Management aims to understand where control environment deficiencies lie within each Risk and Core Process and works with the respective owners to rectify these by recommending and monitoring courses of action for relevant departments.

Controls, and therefore control assessments, are grouped by their relevant 'Department' in order to mirror and compare with Internal Audit assessments which are also recorded.

Each department's relevant risks, core processes and controls are scheduled to be reviewed by Control Owners in detail on at least an annual basis. The Risk function challenges the Control Owners' assessments with the benefit of full access to findings from prior Audits, Actions and Risk Events.

A quantitative assessment of risks is also carried out using capital models and Standard Formula to quantify the risks to which the Company is exposed and the capital to hold to meet those risk exposures.

### **Risk and control monitoring**

The monitoring of all identified risks and controls is an integral part of the Company's risk management process. Monitoring of all key risks across the IGI Group is done on at least a quarterly basis to ensure risks remain within the risk appetite and tolerance limits. This includes the monitoring of natural (e.g. Earthquake, Windstorm) and man-made (e.g. Fire, Terror) risk exposures, quality of investments and their performance,

security and credit ratings of counterparties, liquidity and mismatches between assets and liabilities, as well as operational risks, risk events and potential emerging risks.

Furthermore, the Risk function monitors the appropriateness of the control environment and the resolution of any identified deficiencies therein in the form of actions recorded on the risk management tool. Actions may also manifest from other sources in relation to the Risk and Capital Management Framework, such as from an IGIUK ARCC or ERM meeting.

### Risk reporting

A Risk and Capital review report is circulated to the IGIUK Board on a quarterly basis. The report provides information on any material changes during the quarter's risk assessment review such as changes in the inherent or residual risk ratings, material control changes over the quarter, and the quantitative risk assessment results based on the standard formula calculation.

The Risk Appetite Dashboard highlighting any Amber and/or Red breaches is reported within the Risk and Capital review report. Any emerging risks and risk events identified during the period are also reported to the Board on a quarterly basis.

Furthermore, all underlying detail of control assessments and actions, including the Risk function challenge, granular control assessments and justification of action statuses is fully visible to the Internal Audit function.

### *Implementation and integration of the Risk Management System in the organisational structure and decision-making process*

The Board of Directors retain ultimate accountability for ensuring the adequacy of the Company's Risk and Capital Management Framework, approval of risk appetite and tolerance limits, promoting a positive risk culture and ensuring compliance.

The Boards and committees in turn are supported by the Risk, Actuarial, Compliance and Internal Audit functions consistent with the governance model operated across the IGI Group and its operating entities and recognised industry good practice.

The governance structure is based on well-defined lines of responsibility ('three lines of defence') for individuals within business functions, committees, Boards, Risk Management, Compliance and Internal Audit function. Ownership and clear lines of accountability are defined for all risk tasks and these are ultimately linked to individual objectives.

Individuals within business functions are responsible for identifying and effectively managing and monitoring risks within their respective business function. The governance framework then enables the Risk Management function to have independent oversight and challenge to the first line through review and ongoing discussions to ensure that risks are being adequately monitored and kept within the boundaries defined by IGI Group and the Company.

The Compliance function is responsible for the identification and assessment of compliance risks, as well as identifying any emerging compliance risks, such as new laws and regulatory information which may have an impact on the Company. As the third line of defence, the IA function provides an objective and independent assurance on the effectiveness of the risk management and internal control system.

Furthermore, a good risk culture is a key element contributing to the effectiveness of the Risk and Capital Management Framework and the day-to-day risk management processes across all areas of the Company. The Board assume an important role in providing the 'tone from the top' to embed a positive risk culture within the Company, by promoting support and collaboration among employees for the benefit of stakeholders. IGI encourages the open reporting of risk events and near-misses and as a result is establishing a culture of continuous learning, improving processes and the control environment.

IGI's risk culture is also demonstrated through the following:

- Risk ownership – All risks are attributed an owner. This would be the most relevant person with responsibility to identify and manage and monitor risks to ensure that the risk exposure remains within risk appetite. On a regular basis, Risk Owners report to the Risk function on its management of current and forward-looking risk exposures;
- Core Process and Control Owners – Core Process Owners and Control Owners are integrated into the Risk and Capital Management Framework, and regular meetings are held with the Risk function and Risk Owners to ensure the effective management of risks;
- Policies and procedures – The IGI Group has policies and procedures to ensure that all risk and operational decisions are made in accordance with approved policies and procedures and are within the risk appetite of the IGI Group; and
- Management information – The Risk function and senior management report and communicate risk-related information to all relevant Boards and management committees across the IGI Group and its entities to ensure that risk information is transparent across all areas of the IGI Group.

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

The Company's ORSA philosophy centres around embedding the core elements in our ongoing processes in a way that is proportionate and reflects the inter-relationship between IGIUK and its parent IGI Bermuda.

It provides for quarterly monitoring via the Risk and Capital review report of the more dynamic elements of the risk and capital profile of IGIUK whilst providing the IGIUK ARCC with full visibility of the multi-year capital and solvency profile and associated deterministic and stochastic scenarios.

The combination of these elements addresses the full scope of the requirements of the ORSA process and is considered both proportionate and appropriate to the risk profile of IGIUK.

The results of the ORSA and SCR projections and stress and scenario test results are used in management focus, monitoring and Board review, development or changes in investment strategy and risk mitigation techniques. If, either due to the business strategy, planned changes in business strategy or results of stress testing, the ORSA results anticipate possible non-compliance with capital requirements over the business planning period, the Board of Directors shall identify a timely and effective management action plan.

The ORSA supervisory report for IGIUK shall be submitted to the PRA after its review and approval by the Board.

### *Determination of Solvency Needs*

At an aggregate level, the IGI Group targets its economic capital such that it remains sufficient to withstand a reasonably foreseeable shock or series of shocks whilst maintaining an A- rating from Standard & Poor and A rating from AM Best that support its ability to access attractive business in its core markets. Headroom over and above this level is held in order to maintain financial flexibility to allow for continued investment in business development.

The resultant level of capital held at IGI Bermuda is therefore significantly higher than the Bermuda Solvency Capital Requirement (considered broadly equivalent to the Solvency II SCR).

At the level of IGIUK, the Board monitors Solvency II Own Funds coverage against its target Solvency Ratio on a formal basis at least quarterly (including a full recalculation of the Standard Formula SCR) and at any other such times as appropriate in the event of a projected or actual material impairment in the level of Own Funds or risk profile change.

Additionally, for those risks which are not covered by the Standard Formula, the Company has in place a number of controls to mitigate such risks. As explained above, the Company monitors all risks on an ongoing basis in order to identify any changes which may possibly result in capital shortfalls and ensure adequate management of such risks as they develop/emerge.

Should the Company require additional capital due to unexpected changes in external or internal factors, IGIUK has the ability to draw down a capital injection from the Group, and also benefits from the Parental Guarantee which provides protection to the Company's policyholders beyond the level provided by the Company's own resources.

## B.4. Internal Control System

### *Description of the Internal Control Framework*

The Company has established an Internal Control Framework which is directly linked to risk management and compliance. The framework has been established to ensure that the Company has effective internal control system in place and that the control activities are commensurate to the risks arising from the Company's activities and processes.

In addition, since IGI Group is listed on the Nasdaq Capital Markets, IGIC and its subsidiaries are subject to Section 404 of the Sarbanes-Oxley Act of 2002 ('SOX'). SOX is a law that seeks, among other things, to:

- Restore public trust in the public securities market;
- Improve corporate governance and promote ethical business practices;
- Enhance transparency of financial statements and disclosures;
- Ensure that company executives are aware of material information emanating from a well-controlled environment;
- Hold management accountable for material information that is filed with the SEC and released to investors; and
- Achieve new levels of corporate excellence & resilience.

Furthermore, SOX 404 requires management to accept responsibility for the effectiveness of the Company's internal control over financial reporting and evaluate effectiveness using suitable control criteria supported with sufficient evidence.

The system of internal control follows the Committee Of Sponsoring Organisations of the Treadway Commission ('COSO) framework and encompasses:

**Control environment** which sets the tone of the organisation, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. The control environment includes delegated authorities, policies and procedures within IGIUK and the outsourced functions.

**Risk assessment** to identify, analyse and manage the relevant risks to the achievement of the Company's objectives and risks of material misstatements and which may significantly impact the system of internal control and the Company's performance.

**Control activities** which reflect policies and procedures to help ensure that management directives are carried out and any necessary actions are taken to address risks to the achievement of the Company's objectives.

**Information and Communication** whereby internal and external information is produced and shared across the Company to facilitate the effective operation of the control activities. Effective communication enables all

employees and outsourced functions to receive clear and consistent information to assist them in understanding their role within the internal control system.

**Monitoring** whereby internal controls are monitored on a regular basis to ensure that all controls are adequately designed, executed, effective and adaptive. Any failures, or observed weaknesses identified by employees and/or outsourced functions as part of its ongoing activity shall be reported to management and the Board as soon as is practicable.

### *Compliance Function*

The Compliance function is independent and reports to the IGIUK ARCC and the Board.

Compliance ensures that the business of the Company complies with regulatory compliance requirements with a key role in the management of risks relating to financial crime (including Money Laundering, Sanctions and Anti Bribery and Corruption). The responsibility for the identification and assessment of regulatory risks rests with Compliance. Compliance is involved in identifying and assessing regulatory risks in day-to-day business activities both directly and through providing assistance, support, and challenge to line management.

### **B.5. Internal Audit Function**

IGIUK has outsourced its Internal Audit function to IGIU under the terms of a Service Level Agreement ('SLA') between IGIU and IGIUK. This Group function carries out an independent review of the internal control and governance system reporting on the strengths and weaknesses of the system.

The objective of the Internal Audit function is to provide IGIUK's ARCC, Board and management with reasonable assurance with regards to effective corporate governance, business risk management and internal controls. This is achieved through providing objective, independent, professional and risk-based assurance and consultation services in line with the Company's values and the professional ethics and standards of the Internal Audit function.

To maintain its independence and objectivity, the Internal Audit function does not perform another key function and does not assume operational responsibility or authority over any of the activities audited. Consequently, the Internal Audit function does not implement controls, develop procedures, install systems, prepare records or engage in any other activity that may impair its judgement.

Internal Audit adopts a risk-based approach with higher risk areas being reviewed on at least an annual basis. The Head of Group Internal Audit reports to the IGIUK ARCC and the IGIUK Board. The Internal Audit plan is agreed by the Board on an annual basis and all its findings and reports are submitted to the IGIUK ARCC and the Board (as required) for review and feedback.

### **B.6. Actuarial Function**

IGIU under the terms of an SLA provides Actuarial function support to IGI Group. The function supports the Group and all its subsidiaries across all areas where actuarial support is typically required. The Actuarial team is split between London, UK (currently 13 employees including the Group Chief Actuary), Amman, Jordan (currently 2 employees) and Bermuda (currently 1 employee).

The function coordinates and oversees the calculation of Bermuda Monetary Authority, Solvency II /UK and US GAAP technical loss provisions for the Company and carries out quarterly reserving reviews. It works

closely with the Underwriting, Claims, Finance and Risk Management teams to ensure a deep understanding of exposure and loss experience.

In addition to its core role in reserving, the function assists in reinsurance purchases including programme design and the development of technical pricing models and tools across all lines of business.

The Group Chief Actuary reports to the IGI Group CEO and IGIUK CEO and is a member of/attends:

- Group Reserving Committee (Member)
- IGI Bermuda Audit, Risk and Compliance Committee (Attendee)
- IGIUK Audit, Risk and Compliance Committee (Attendee)
- IGIE Board (Attendee)
- IGI Group Audit Committee (Attendee)
- Group Executive Risk Management Committee (Member)
- Group ESG Committee (Member)
- IGI Bermuda Management Committee (Member)
- IGIUK Management Committee (Member)
- Reinsurance Security Committee (Member)
- Delegated Authority Committee (Member)

There is potential for conflict of interest to affect the Actuarial function and this is dealt with through appropriate protocols and procedures and reporting line.

Actuarial team members are required to consider appropriate actuarial standards including peer review requirements. All actuaries within the function are members of professional organisations and subject to professionalism requirements and regulated by their Self-Regulating Organisations ('SROs').

To ensure that the Actuarial function maintains an appropriate level of independence the Chief Actuary has a direct line to IGIUK Board, Non-Executive Directors and the IGIUK ARCC.

## B.7. Outsourcing

Outsourcing is the use of a third party (either an affiliated entity within the same group or an external entity) to perform activities on a continuing basis that would normally be undertaken by the Company. The third party to whom the activity is outsourced is referred to as the 'service provider'.

Many commercial benefits have been ascribed to outsourcing, the most common amongst these being:

- Reducing the Company's costs;
- Greater focus on core business by outsourcing non-core functions; and
- Access to world-class skills and resources.

When outsourcing any critical/important or key functions, the Company remains responsible for discharging its obligations under the relevant regulatory requirements. Outsourcing of critical or important functions or activities is not undertaken in such a way that could lead to any of the following:

- Materially impairing the quality of the Company's system of governance;
- Unduly increasing the operational risk;
- Impairing the ability of the supervisory authorities to monitor the firm's compliance with its obligations; and

- Undermining continuous and satisfactory service to policyholders.

IGIUK will follow an outsourcing checklist during the course of the outsourcing life cycle (from need initiation to contract establishment). Furthermore, prior to outsourcing any critical function, the Company carries out a risk assessment and due diligence process and assesses any possible legal obligations to ensure sufficient/reasonable control over proposed outsourcing arrangements.

The Company also ensures that it establishes appropriate contingency arrangements to allow business continuity in the event of a significant loss of services from the service provider. Considerations include a significant loss of resources at the service provider, or financial failure of the service provider and unexpected termination of the arrangement.

The table below outlines the critical or important functions that are being either fully outsourced or partly outsourced:

Critical or Important Function	Name of Provider	Jurisdiction
Internal Audit	IGIU	Amman
Actuarial Function	IGIU	London / Amman
Risk Management Function	IGIU	London
Compliance Function	IGIU	London / Amman
Underwriting Administration	IGIU	Amman
Claims Management	IGIU	London / Amman

The Company takes a risk-based approach to all of these activities with service providers subject to defined contracts, service level agreements and ongoing performance management.

## B.8. Any Other Information

### *Assessment of adequacy of the system of governance*

Through its ongoing assessment of the system of governance including the operation of the critical/important and key functions, regular reviews and annual Board Effectiveness Review, the Board considers appropriateness and adequacy of the system of governance in relation to the nature, scale and the complexity of the risks inherent in its business.

### *Other material information*

There is no other material information regarding the system of governance that requires disclosure.

## C. Risk Profile

Achieving the Company's Business Plan and strategic objectives is subject to the risk environment in which it operates.

The Company's risk profile comprises of underwriting, market, credit, liquidity, operational, strategic, group contagion, reputational, ESG and other risks that arise as a result of doing business. There has been no material change in IGIUK's risk profile over the reporting period.

The following sections outline the risk management approach and key exposures for each category of risk as required by Solvency II Regulations.

The approach to quantifying risk in respect of its contribution to the Company's regulatory capital requirement is dealt with in Section E.2. 'Solvency Capital Requirement and Minimum Capital Requirement'.

### C.1. Underwriting Risk

Underwriting risk is a core intrinsic risk which arises from the Company's general insurance activities. It is associated with the risk of financial losses or adverse changes in the value of insurance liabilities due to variations in underwriting results from plan.

#### *Risk Exposure*

The most material elements of underwriting risk may result from inadequate pricing and provisioning assumptions due to internal or external factors including inadequate reinsurance protection, underwriting breaches or large natural or man-made catastrophe claims, including in respect of the Political Violence and Contingency classes of business.

#### **Catastrophe Risk**

The Company has a low appetite for loss of earnings arising from catastrophe losses or exposures and looks to mitigate downside losses to a reasonable level expressed as a percentage of capital for both a single occurrence and aggregate year basis through outwards reinsurance coverage. Furthermore, IGIUK uses the services of IGI Group which has a dedicated catastrophe and exposure management team responsible for continually developing and enhancing the reporting, analysis and methodology underpinning the aggregation systems upon which it relies.

The team has extensive risk management, underwriting, actuarial and data management skills and works closely with risk management, actuaries, proprietary modelling entities and other related entities as required.

To manage and monitor the natural (including climate-related risk) catastrophe exposures, the Company uses a range of approaches incorporating a combination of both stochastic probabilistic loss modelling and deterministic event sets to measure and quantify exposures.

For non-natural exposures where stochastic modelling capabilities are not available, and for natural perils / zones where models are either not available or not robust, the Company uses several alternative deterministic or Probable Maximum Loss ('PML') approaches to assess its exposure to individual loss scenarios.

In addition, the Company produces actual historical loss scenarios that have resulted in large industry wide insured losses along with cloned events to produce a deviation around these scenarios.

Furthermore, as an additional critical part of the underwriting and portfolio management process of the Political Violence class of business, it is imperative that accurate up-to-date exposure data is available. The Company employs the Sequel Impact tool for aggregating terrorism exposures on the basis of individually geocoded risk exposures.

## Cyber Underwriting Risk

Cyber underwriting risk is defined as the set of prudential risks emanating from underwriting insurance contracts that are exposed to cyber-related losses resulting from malicious acts (e.g. cyber-attack, infection of an IT system with malicious code) and non-malicious acts (e.g. loss of data, accidental acts or omissions) involving both tangible and intangible assets.

IGIUK chooses not to write stand-alone Cyber insurance and hence its affirmative exposures are limited. Where policies include an element of exclusion with writebacks or limited exclusions, these are covered by the reinsurance programme.

To further ensure cyber coverage clarity and reduce silent (non-affirmative) cyber exposures underwriters make use of the cyber clauses released by the two main UK Insurance Industry associations, namely the Lloyd's Market Association ('LMA') and the International Underwriting Association ('IUA'), to fully exclude or substantially limit potential coverage for cyber-related claims.

In 2019, the LMA highlighted model clauses for each class of business, grouped by the following categories: affirmation, affirmation with limited exclusion, exclusion with writeback and full exclusion.

The number of live policies is monitored quarterly with each level of affirmation described above, to ensure that cyber related risks in non-cyber policies are either clearly identified and covered by outward reinsurance, where there is limited affirmation, or explicitly excluded.

### Risk Concentration

The following table details the most material IGIUK risk concentrations in respect of Underwriting risk as reported to the IGIUK ARCC meeting for the Q4 2023 period. The amounts are reported net of all reinsurance and allowing for reinstatement premiums where relevant. The figures for all Nat Cat exposed risks include modellable inwards treaty business. The % Own Funds column demonstrates the impact of each scenario in terms of its potential to deplete available Own Funds at Q4 2023.

Line of Business	Basis	Max Exposure	\$m	% of Own Funds <sup>Note 1</sup>
All Nat Cat Exposed Risks	All Natural Perils - AEP <sup>Note 2</sup> (1 in 100)	United States	15.1	9%
	All Natural Perils - OEP <sup>Note 3</sup> (1 in 250)	Worldwide	13.6	8%
	All Natural Perils - AEP (1 in 250)	Worldwide	21.6	13%
Non-Marine	Deterministic Scenario	Pakistan Quake- Kashmir	3.1	2%
Political Violence	Terrorism - 250 Meter Bomb Blast	London – UK	14.1	9%
	Terrorism - 350 Meter Bomb Blast (Stress Scenario) <sup>Note 4</sup>	New York – US	23.1	14%
	SRCC <sup>Note 5</sup> - Largest City Exposures - (Internal PML based on AKE rating)	Egypt - Bimban	3.4	2%
	War - Country Exposures - (Internal PML based on AKE rating)	India	3.5	2%
Casualty & Professional Lines	Deterministic (2 max lines)		5.7	3%
Financial Institutions	Deterministic (2 max lines)		4.9	3%

General Aviation <sup>Note 6</sup>	Deterministic (largest 2 combined Hull / Liability)	3.4	2%
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Note 1 Single Occurrence Event Risk Appetite: Green <12%, Amber 12% - 15%, Red >15% (modelled loss as % of Own Funds).  
Aggregate Occurrence Event Risk Appetite: Green <20%, Amber 20% - 30%, Red >30% (modelled loss as % of Own Funds).

Note 2 AEP (Aggregate Exceedance Probability) – the probability that the associated loss level will be exceeded by the aggregate losses in the given year.

Note 3 OEP (Occurrence Exceedance Probability (OEP) – the probability that the associated loss level will be exceeded by any event in the given year.

Note 4 Terrorism 350 bomb blast is only modelled for information and is not included within risk appetite considerations.

Note 5 SRCC refers to Strikes, Riots and Civil Commotion and is based on a deterministic scenario resulting in the loss amounting to 20% of the total insured value of all exposures in a given major city.

Note 6 This is a somewhat theoretical and extreme return period scenario as it requires the two largest combined Hull/Liability exposures in our worldwide portfolio colliding with each other resulting in a total loss.

IGI Group and IGIUK monitors Aggregate Exceedance Probability ('AEP') All Natural Perils ('ANP') metrics by country showing the aggregate level of catastrophe risk at a 1 in 100 year return period (the most material being United States as shown above) and at a 1 in 250 year return period for worldwide regions. During 2019, IGI Group and IGIUK moved towards considering its modelled catastrophe exposures on an AEP basis, replacing the Occurrence Exceedance ('OEP') metric which took no account of frequency of losses. Given the frequency of losses experienced from the events of 2017 including the series of wind events 'HIRMA' and two Mexican earthquakes, the IGI Group and IGIUK Board felt that using the AEP metric is more appropriate since it provides for a better recognition of the impact of frequency, seen in natural catastrophes not least through climate change impacts.

In addition, IGI Group monitors the Worldwide ANP 1 in 250 year return period OEP metric, being the single occurrence target IGI aims to cover by the XOL Reinsurance Treaty programme.

Based on the above, the Company's most significant modelled scenario of the All Natural Perils - AEP (1 in 250) Worldwide accounted for 13% of Own Funds at 2023 year end. The Company's most significant exposure to a Realistic Disaster Scenario (Political Violence Terrorism - 250 Meter Bomb Blast) would amount to 9% of available Solvency II Own Funds and would fall within the headroom held.

### *Risk Mitigation*

The primary tools for managing Underwriting risk include:

- Having a versatile and diversified book of business;
- Having effective underwriting guidelines and authority matrices in place and monitoring compliance against these;
- Underwriting within prudent aggregate loss and PML limits at individual and combined portfolio levels;
- Maintaining an effective exposure management system;
- Having a matching stratified reinsurance programme; and
- Maintaining effective and frequent monitoring and performance review practices.

In addition to the range of controls detailed above, the Company employs an extensive reinsurance programme designed to contain underwriting risk to acceptable levels.

The programme is designed and purchased at the level of IGI Bermuda in order to leverage the purchasing power of the IGI Group and affords protection to all IGI Group insurance risk taking entities and with full oversight from IGIUK. It encompasses:

- 'Excess of Loss' treaty arrangements to contain peak or catastrophe losses to an acceptable level;
- 'Quota Share' or 'Proportional' treaty arrangements to share the risk of particular lines of business, particularly newer lines, with partner reinsurers;
- 'Facultative' reinsurances placed on a case-by-case basis to contain individual risk exposures and protect the treaty reinsurance; and
- 'Bermuda Risk Transfer' ('BRT') proportional treaty arrangement under which 65% of the retained risk net of the remaining reinsurances is ceded to IGI Bermuda in return for a ceding commission.

The effectiveness of these arrangements is monitored on a current and retrospective basis through the reserving process whereby their impact on mitigating the gross risk and potential default risk is explicitly considered.

On a prospective basis, the effectiveness and risk / return profile of the arrangements is assessed in the business planning and reinsurance placement process using a combination of internal and external deterministic and stochastic analysis.

The impact of reinsurance recoveries and the potential for these to result in counterparty default risk is explicitly considered in the Company's SCR capital calculations using the Standard Formula.

The following specific risks relating to the programme are monitored on an ongoing basis to ensure that it continues to provide protection consistent with the risk appetite and the basis upon which capital requirements have been calculated:

- The potential for 'vertical exhaustion' (i.e. the potential for gross losses to exceed the amount of protection provided by the programme) is monitored through the modelling of catastrophe exposures – the gross and net of reinsurance potential losses from a series of deterministic and stochastic scenarios being reported in full to management and the IGIUK Board on at least a quarterly basis.
- The potential for 'horizontal exhaustion' (i.e. the potential for a number of losses to exhaust the number of reinstatements available under one or more elements of the programme) is considered through a combination of monitoring utilisation to date and modelling the potential volume and quantum of losses that might be expected to attach to the programme in a given return period.

### *Stress testing and sensitivity analysis*

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

## **C.2. Market Risk**

Market risk is defined as the risk of variation in the market value of net assets as a result of changes in the market prices of securities or foreign currencies. Market risk considers the risk of the Company's economic position being negatively impacted due to market changes and the corresponding impacts on investment, credit, liquidity and other exposures.

### *Risk Exposure*

Market risk is further split into sub-categories including:

- Currency risk: The risk of adverse variation in the value of net assets in foreign currencies as a result of currency rate movements;
- Interest rate risk: The risk of variation in the market value of fixed interest securities as a result of changes in prevailing interest rates;
- Spread risk: The risk of variation in the market value of fixed income securities as a result of changes in the compensation required by the market for credit risk including the risk of default;

- Re-investment risk: The risk of reinvesting funds upon maturity at a lower rate of return than the original investment; and
- Equity risk: The risk of adverse movements in the market price of investments (or their derivatives) other than fixed income securities.

The following table provides a summary of the market and credit risk profile of the IGIUK investment portfolio as reported to the IGIUK Board at the Board meeting for the Q4 2023 period.

Measure	Description	Target	Actual
Equities Proportion	% total assets held in equities	<=15%	2.7%
Fixed Income Proportion	% total assets held in fixed income securities	<=90%	56.1%
Fixed Income Counterparty	% fixed income assets at S&P BBB or better	>=90%	100.0%
Alternative Funds Proportion	% total assets held in alternative funds	<=5%	0.0%
Real Estate Proportion	% total assets held in real estate	<=5%	0.0%
Call / Term Deposit Quality <sup>(Note 1)</sup>	% with minimum rating of Moody's A1 or S&P A-2	>=75%	99.5%

Note 1 - The Term / Call Deposits figure includes all funds held in Coutts as it is part of the S&P A- rated ring-fenced parent, National Westminster Bank Plc.

### *Risk Concentration*

As at 31st December 2023, the Company held 56% of its cash and investments in fixed income securities which are well diversified in terms of counterparty, geographical location and currency. Another 17% of cash and investments are held in term deposits, 99% of which are held in GBP and 1% in US\$. The Company has no material risk concentrations.

### *Prudent Person Principle*

The Company has established investment guidelines approved by the Board for the purpose of effectively managing and monitoring the Company's investments and to ensure that assets are invested in an adequate manner to cover the Minimum Capital Requirement and the Solvency Capital Requirement in accordance with the Prudent Person Principle, taking into consideration the security, quality, liquidity and profitability of the investment portfolio.

Furthermore, IGI Group and the Company may only assume investment risks that they are able to identify, measure, respond to, monitor, control, and report on while taking into consideration the capital requirements and adequacy, liquidity requirements, financial market environment, policyholder obligations and sustainability factors.

The guidelines outline the parameters and allocation limits of the Company's assets that are available for investment including risk tolerances for counterparty quality, concentration, and asset types. The allocation limits are set to ensure the risk is maintained within the risk tolerance levels and that the portfolio meets appropriate regulatory requirements. These are updated at least annually and at other such times as required to adapt to the changing economic, business and investment market conditions.

The Company invests the majority of its portfolio in well-rated fixed income securities, across different geographical locations. The Company also ensures sufficient liquidity in its investment portfolio to cater for both day-to-day projected requirements and the potential for an accelerated pay out of claims reserves or an outsized underwriting loss.

The average duration of the bond portfolio of IGIUK is 3.1 years (3.2 years for IGI Group) and, along with the cash and cash equivalents held, is designed to approximate the nature and duration of insurance liabilities.

Generally, the Company keeps around 40% of its investments in cash and cash equivalents which are more than sufficient to adhere to liquidity requirements of the operation.

### *Risk Mitigation*

The Company has a relatively low appetite for Market risk (as demonstrated in the table above) and asset-liability mismatch and aims to hold investments in line with the internally and conservative investment guidelines, as its primary focus for value creation is underwriting rather than investment activity.

The primary tools for managing Market risk include:

- Clear investment guidelines with limited exposure to non-traditional investment classes and requirements as to minimum investment counterparty quality or credit rating, minimum and/or maximum limits in the type of investment and maximum limits for geographical concentrations;
- Maintaining compliance with the Prudent Person Principle;
- Monitoring of the investment portfolio - investment holdings per class, cost and current market price;
- Monitoring of investments' credit rating; and
- Quarterly Asset Liability Management ('ALM') reports.

### *Stress testing and sensitivity analysis*

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

## **C.3. Credit Risk**

In addition to the Credit risk inherent in its investment portfolio, which is covered under the market risk section above, the Company is exposed to the risk of default in respect of premiums receivable, reinsurance recoverables and cash held with banks.

The potential impact of such default is explicitly captured in the Standard Formula SCR calculation.

### *Risk Exposure*

Credit risk is split into the following sub-categories including:

- Reinsurer counterparty: The risk of loss from the failure of a reinsurer to make a payment due.
- Asset counterparty: The risk that cash held with banks that become insolvent will not be received.
- Intermediary counterparty: The risk of loss from the failure of an intermediary to make a payment to, or on behalf of, the Company.

During the reporting period, the Company's largest exposure to Credit risk came from the reinsurer counterparty and asset counterparty, which are both classified as Type 1 in the Standard Formula SCR.

The Company is exposed to reinsurer counterparty risk since it employs a relatively extensive outwards reinsurance programme in addition to the intra-group BRT reinsurance arrangement in place between the Company and IGI Bermuda.

Counterparty default risk is considered 'non-core' in that it is not something we seek to create a return, rather it is a natural consequence of our decision to use reinsurance to mitigate underwriting risk and the inevitable consequence of investment holdings and doing business with intermediaries.

### *Risk Concentration*

The Company is exposed to concentrations of Credit risk in respect of the intra-group reinsurance arrangement with its parent. In this respect, the Board and the IGIUK ARCC closely monitors the financial and solvency position of IGI Bermuda on a quarterly basis.

### *Risk Mitigation*

The Company has a low appetite for Credit risk in respect of receivables, however accepts a degree of risk as an unavoidable consequence of its underwriting and reinsurance activity.

The primary tools for managing Credit risk include:

- Minimum credit quality criteria in respect of outwards reinsurance counterparties coupled with concentration limits to contain exposures:
  - Reinsurers to be either 'A-' rated or better by AM Best or 'BBB+' or better by S&P for short tail classes, or, 'A' rated or better by AM Best or 'A-' or better from S&P for long tail classes. Outwards reinsurance counterparties with a credit rating lower than that stated above shall only be accepted subject to Reinsurance Security Committee review and approval;
  - No individual reinsurer to accept more than 25% of any reinsurance programme at time of placement. Reinsurance Security Committee review and approval is required should this limit be exceeded; and
- Applying effective credit control policies and procedures in respect of broker and reinsurer receivables, including producing and monitoring aged debt reports on a regular basis.

### *Stress testing and sensitivity analysis*

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

## **C.4. Liquidity Risk**

Liquidity risk is defined as the risk that the Company is unable to make payments or provide collateral when required.

### *Risk Exposure*

The Company considers Liquidity risk both in terms of the risk of having insufficient liquid financial resources to satisfy policyholder liabilities and maintaining financial flexibility in the event of a stress event.

Liquidity risk includes the following:

- Collateral risk: The risk that the Company is unable to provide collateral to a third party when contractually required to do so;
- Payment default risk: The risk that there is insufficient cash to make payments when due and that no additional cash can be made available by borrowing, the sale of assets or capital raising; and
- Suboptimal asset realisation: The risk that securities or other assets are required to be sold at a suboptimal price to meet liquidity requirements.

### *Risk Concentration*

There were no material Liquidity risk concentrations as at 31st December 2023.

### *Risk Mitigation*

The risk is mitigated through investment guidelines that require a highly liquid asset portfolio sufficient to cater for a combination of a significant pay out of reserves plus gross underwriting stress loss.

Cash and short-term deposits represented 41% of the overall IGIUK portfolio at 2023 year end and can be considered liquid (IGIUK's term deposits can easily be withdrawn without any significant restrictions or penalties).

The remainder of the portfolio is invested in Fixed Income Securities and a small holding of equities that are quoted and listed in established actively traded markets and easily liquidated albeit with the potential to realise unrealised losses. In addition, were the Company to require additional liquidity over and above that provided by its own portfolio (or as a short-term measure to avoid the realisation of unrealised investment losses) it could draw upon intra-group support through the transfer of assets to IGI Bermuda in return for cash.

### *Expected Profit in Future Premium*

The expected profit included in future premiums ('EPIFP') as at 31st December 2023 is US\$12,352k (2022: US\$9,265k). The EPIFP represents the profits that is expected to materialise from existing (in-force) insurance and reinsurance contracts that are to be received in the future, but that have not yet been received. Any premiums already received by IGIUK are not included in the EPIFP.

### *Stress testing and Sensitivity analysis*

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

## **C.5. Operational Risk**

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes and controls, people, systems or from external events.

Operational risk events may impact the Company in terms of financial loss, reputational damage, regulatory sanction, inefficiency or opportunity loss.

### *Risk Exposure*

The Company is exposed to Operational risks which may crystallise either independently of, or be correlated to the Intrinsic Core (Underwriting risks and Investment risks) and Non-Core (Reserving risks, Currency risks, Liquidity risks and Counterparty Default risks). These include Legal and Compliance, IT (including cyber security), HR, Outsourcing and Process risks.

An allowance for the potential capital impact of Operational risks is made under the Standard Formula.

Operational risk is monitored via the Risks, Core Processes and Controls register that articulates the material sources of potential risks and failures in core processes and the key controls in place to manage them.

### *Risk Concentration*

There were no material Operational risk concentrations as at 31st December 2023 other than the Intra-Group Outsourcing arrangement (see Group Contagion Risk below).

### *Risk Mitigation*

The control and risk mitigation approach includes:

- Established procedural controls including workflow management;
- Monitoring compliance with all applicable laws and regulations, established policies, procedures and processes;
- Business continuity and Disaster recovery plans;
- Maintaining an appropriate Information and Communications Technology (ICT) and IT Security framework to ensure that adequate hardware and software is in place to support business needs and market expectations and mitigate IT disruptions;
- Periodic reviews of third-party service providers; and
- Maintaining effective human resource management and development practices.

Furthermore, during 2023, the Company continued to prepare for the implementation of the newly enacted Digital Operational Resilience Act ('DORA') which requires insurance undertakings to enhance its level of security of network and information systems, including that of its critical outsourcing partners providing ICT services, to mitigate ICT and cyber risks and ensure that the Company can withstand, respond to and recover from all types of ICT-related disruptions and threats.

On a quarterly basis and/or following an operational loss event materialising, the Risk function meets Risk and Control Owners to formally discuss and reassess/reaffirm the risk ratings and control effectiveness ratings for each control for which they are responsible. Control Owners are required to assess whether the controls in place are still operating as intended and whether they will continue to operate effectively in the future.

The risk and control assessment enables the Risk function and the Board to identify the top risks of the Company and understand which risks are being effectively mitigated and controlled and those which are less effective and to focus on and allocate resources to those areas of risk and core processes with higher residual risk exposures.

#### *Stress testing and Sensitivity analysis*

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

### **C.6. Other Material Risks**

In addition to the above risks that have the potential to result in capital depletion, the Company also considers Strategic risk, Group Contagion risk, Reputational risk and ESG risk to be relevant.

The risks are managed through the strategic and business planning / performance monitoring processes to ensure that changes in the economic and market environment are factored into the long-term and tactical plans for the Company.

#### *Strategic risk*

The Company defines strategic risk as the risk of impact on shareholder value, earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes, and the risk that the Group and its entities fail to define, maintain or adequately communicate the strategy and, as a result, cannot take advantage of strategic opportunities. This may be caused by failure to:

- devise, implement, maintain and communicate an effective business strategy that is consistent with the risk and return objective and risk appetite; and
- effectively structure and manage the inter-relationships between IGI Group entities in such a way as to maximise the benefits of the structure whilst affording adequate protection to an individual entity.

### *Group Contagion risk*

The Company defines Group Contagion risk as the risk that adverse events or circumstances affecting one or more business units or entities damage the solvency, liquidity, results or reputation of other entities or the overall Group.

IGIUK is exposed to Group risks arising from the interconnected nature of the IGI Group and its entities, both from an operational and financial perspective. IGIUK relies on the IGI Group for a number of functions, which may expose the Company to Group risks arising from these internal outsourcing arrangements not being carried out in accordance with the service level agreements ('SLAs'), and all applicable legal and regulatory requirements.

Group Contagion risks may arise from decisions or actions taken by the IGI Group or its other entities which may compromise the IGI Group or respective entity's going-concern, strategy, regulatory standing or reputation which may have an adverse impact on IGIUK. Therefore, the Company may be negatively impacted by the failure of the Group to effectively structure and manage the inter-relationships between IGI Group entities in such a way as to maximise the benefits of the structure whilst affording adequate protection to an individual entity.

### *Reputational risk*

Reputational risk is defined as the risk that adverse events or circumstances negatively affect the reputation of IGI Group or its operating entities with its rating agencies, regulators, policyholders, intermediaries and existing shareholders or prospective investors, which may cause an unexpected decline in IGI's share price, loss of profits and future business and a downgrade in IGI's credit rating. This may be caused due to failure to:

- give due regard to clients' interests or failure to treat clients fairly in accordance with regulatory requirements;
- meet regulatory requirements including reporting and disclosure requirements;
- meet environmental, social and governance standards and be transparent in sustainability reporting;
- poor/adverse PR coverage.

Reputational risk may also be caused by the crystallisation of other risks including legal risks, regulatory and compliance risks, strategic risks and information security risks (data breach).

### *Environmental, Social and Governance ('ESG') risk*

The Company defines ESG risk as the risk of environmental, social, or governance events, or conditions which, if they occur, could cause an actual or a potential material negative impact on the value of assets; liabilities; financial results; or reputation of the entity.

ESG risks could arise internally within a particular department (including outsourced service providers) or externally, impacting the reputation and/or financial position of the Company. ESG risks that could negatively affect the Company might include the following:

**Environmental:** Climate related risks i.e. physical, transition and liability risks, which may refer to losses arising from weather-related events such as flooding and windstorms, or that may arise directly or indirectly due to the adjustment towards a less polluting and greener economy.

From a physical risk perspective, the annual nature of the majority of our insurance contracts means that the latest view on natural catastrophe risks can be factored into risk selection, pricing and exposure management. The Company applies a range of approaches to assess Catastrophe risk incorporating a combination of both stochastic probabilistic loss modelling and deterministic event sets to measure and quantify potential exposures. The modelling of catastrophe risk exposures (both pre-bind and quarterly roll-ups) in partnership with AIR Worldwide provides for a prudent view of natural catastrophe perils and helps

anticipate the likelihood and severity of potential future catastrophes before they occur so that the Company can factor this into risk selection, pricing and accumulation management processes.

From a transition risk perspective, potential risks are mitigated through an increasingly diversified underwriting portfolio (in terms of geography, class of business and insured trade) and include offsetting the more carbon dominant energy portfolios through the expansion into renewable energy and green technologies. On the asset side, the Company retains very limited exposure to equities and continues to focus on high quality Bonds and Term Deposits where the impact of transition risks and changing investor sentiments is less marked.

The Company also considers the potential for climate risk to exacerbate losses under the general liability classes (such as D&O, PI, errors & omissions and employer's liability insurance) as people or businesses seek to recover compensation for actual losses or loss of value arising from climate change related physical or transition risks.

**Social:** The risk of adverse financial or reputational impact on the Company and/or non-financial impact on stakeholders, such as employees, customers and suppliers, and shareholders, which may arise due to any weaknesses or any unethical or wrong doing by the company (including outsourced third party service providers).

**Governance:** The risk of an adverse impact on the Company and/or stakeholders, which may arise due to weaknesses in ESG initiatives; legal and corporate governance; Risk and Capital Management Framework; business ethics; tax practices and Information security and data privacy.

IGIUK includes the consideration of ESG risks alongside other risk factors in its strategic decision making, including but not limited to underwriting, investments, and operational practices.

### *Risk mitigation*

To mitigate the above risks IGI Group and its entities have implemented a number of controls, which are recorded in the IGI Group's risk register and are monitored and assessed on at least a quarterly basis.

## **C.7. Other material information**

### *Stress Testing and Sensitivity Analysis*

IGIUK monitors and reports on a range of individual underwriting stress scenarios as defined within the Standard Formula SCR calculation and a full set of PMLs and RDSs reported through the quarterly Risk and Capital Review Board reporting and accompanying Executive Exposure Summary.

In addition to these standalone scenarios, taking into consideration the business model and the risk profile of the Company, as agreed by the IGIUK Board, the Company performed the following plausible scenarios:

- Large Single Event;
- Large Single Event with Reinsurer Default;
- High Growth;
- Exchange Rate Shock;
- Combined Loss Ratio (High Inflation); and
- Climate Change Impact

IGIUK applies reverse stress testing on a periodic basis in support of its planning and as an integral part of the ORSA process including reporting the conclusions to Boards and regulators.

The creation of reverse stress tests at a level that are sufficient to exhaust regulatory capital at IGIUK may result in somewhat implausible scenarios at significant extreme return periods however reverse stress testing

can add greater value through considering those elements that are not readily quantifiable in capital terms including where they refer more to loss of opportunity rather than pure balance sheet impact. In addition, were such scenarios to manifest, IGIUK would utilise the Parental Guarantee.

IGIUK has established the following situations, each of which individually may render the business model unviable or significantly impaired:

Scenario	Description
Liquidity shortfall	IGIUK is unable to make available sufficient resources to pay its financial obligations as they fall due
Capital shortfall	IGI Group is unable to maintain capital in excess of rating agency and / or regulatory requirements
Loss of license to operate	Withdrawal of IGIUK's regulatory authorisation or suspension from undertaking regulated activities
Withdrawal of reinsurer support	Reinsurance partners limit / withdraw support or offer terms that are not commercially viable
Loss of rating / downgrade	One or both of S&P or AM Best put IGI Group on negative outlook / downgrade
Failure to run operations / exposure to IGI Group systems	IGIUK is unable to process business over a prolonged period due to governance failure, loss of people/teams, rogue underwriter

### *Geopolitical Risks*

Geopolitical risks continue to be a key area of uncertainty, particularly in respect of the Russia / Ukraine war since February 2022 and the war between Israel and Hamas since October 2023. Whilst the Company has minimal insurance exposures to these conflicts, there may be subsequent issues including international sanctions, political instability, and disruption to supply chains which could have an impact to IGI in the future.

The Company is also aware of the potential risks relating to civil unrest due to several elections taking place during 2024, including Bangladesh, India, USA, Indonesia, Pakistan, Russia, Mexico, and the UK general election to occur before 28th January 2025. These geopolitical risks are monitored continuously in respect of exposures to the Political Violence class and the wider IGI business

### *Inflation*

After decades of historically low levels, inflation picked up from around the second half of 2021. Initially this was considered to be temporary, and central banks were reluctant to raise interest rates to dampen excessive economic demand. However, inflation increased rapidly, and inflationary pressures were compounded by the Russian invasion of Ukraine and the consequent price rises in food and energy.

Whilst inflation appears to have passed its peak, there remains continued uncertainty around future inflationary trends.

### *Interest Rate Increases*

Central Banks increased interest rates in 2023 to contain inflationary pressure in the economies benefiting investors in certain asset classes. Most of the Central Banks now plan to ease the monetary policies in 2024.

The investment portfolio of IGIUK is predominantly held in bonds so the unprecedented increases in rates during 2022 had resulted in unrealised losses of c.\$19mn as at year end 2022 but the slowed pace of rate hikes in 2023 helped in recouping unrealised losses by c.\$4mn. During 2023 c.\$28mn was invested at an average coupon of 5.9% capturing the opportunity of higher interest rates and positive change in the fair

value of these bonds which brought down the unrealised losses by c.\$1.5mn by year end 2023. The overall investment portfolio remains robust and adequately liquid. The aim in 2024 is to deploy the maturity proceeds from money market deposits into bonds to lock in the higher rates for the longer term.

### *Arbitration*

The Company is engaged in an arbitration proceeding concerning a dispute with another insurer over a policy coverage. The Company has established reserves which it believes represents a reasonable estimate of its expected future cash outflows in respect of this matter. If the arbitration does not rule in the Company's favour, it is possible that the ultimate cost may exceed amounts that have been specifically reserved. However, it is not practicable to reliably estimate any potential excess amount because the merits of the underlying claims have yet to be assessed and there are a number of uncertainties regarding how the policy may respond. Having considered the uncertainties described above, the Company believes that, even in reasonably remote adverse scenarios, the ultimate costs would be within the risk margins inherent within the Company's overall claims reserves and would have no material impact on the Company's business or financial condition.

## D. Valuation for Solvency Purposes

### D.1. Assets

The following table summarises the assets held by the Company as at 31st December 2023 with analysis of the main differences between Solvency II and UK GAAP valuation rules:

Asset Class <i>US\$'000</i>	Value as per UK GAAP Financial Statements	Reclassification / Adjustment for Solvency Purposes	Value as per Solvency II
Deferred Acquisition Costs	66,803	(66,803)	-
Property, plant and equipment held for own use	305	(305)	-
Investments	211,061	21,989	233,050
Reinsurance Recoverable	506,467	(113,309)	393,158
Insurance and Intermediaries Receivables	99,931	(69,704)	30,227
Reinsurance Receivables	-	11,921	11,921
Receivables (Trade)	751	-	751
Cash and Cash Equivalents	86,928	(19,641)	67,287
Deferred Tax	3,961	1,441	5,402
Other Assets	6,641	(2,736)	3,905
<b>Total Assets</b>	<b>982,848</b>	<b>(237,147)</b>	<b>745,701</b>

The valuation principles applied to each material asset class are explained below. No changes were made during the reporting period to the bases and estimation approaches used to recognise and value assets.

#### *Deferred Acquisition Cost:*

There is no concept of Deferred Acquisition Cost ('DAC') in Solvency II. The DAC is implicitly included in the premium provisions valuation and therefore not included as an asset.

#### *Fixed Assets for Own Use*

Under GAAP these assets are held at cost less accumulated depreciation. For Solvency II purposes they can be valued at exchange value but have been given a nil valuation.

#### *Investment*

All the investment securities, both bonds and equities, are quoted in active markets and are therefore valued at fair value as at the balance sheet date. A market is considered active if the transactions take place with sufficient frequency and volume for pricing information to be provided on an ongoing basis. For Solvency II valuation purposes, accrued interest of \$2,349k due on the investments is transferred from Other Assets. Term deposits with an original maturity term of 3 months or less of \$19.6m are included in Cash and Cash Equivalents under UK GAAP but as Investments under Solvency II. All term deposits are recognised at fair value as at the balance sheet date which is consistent with the Solvency II valuation rules for these assets.

### *Cash and Cash Equivalents*

These financial assets are recognised at fair value as at the balance sheet date. As mentioned above, term deposits with an original maturity term of 3 months or less of \$19.6m are included in Cash and Cash Equivalents under UK GAAP but as Investments under Solvency II.

### *Reinsurance Recoverable*

The valuation rules applied in the reinsurance assets calculation are covered in the Best Estimate Technical Provision section. The impact of the valuation rules is to reduce the valuation of the reinsurance recoverables by US\$113,309k from US\$506,467k under UK GAAP to US\$393,158k under Solvency II.

### *Insurance and Intermediaries / Reinsurance Receivables*

The Solvency II valuation is based on the best estimate of the recoverable value, discounted to present value where the expected recovery is greater than one year. In addition, the undue insurance receivables are reclassified and included as part of the Premium Provisions.

### *Deferred Tax Asset*

The reduction of US\$6.1m in shareholder's funds from US\$131.5m under UK GAAP to US\$125.4m under Solvency II (before the calculation of additional deferred tax), US\$5.8m of which is temporary, has given rise to a deferred tax asset of US\$1,441k calculated at the current corporation tax rate of 25%. This is in addition to the UK GAAP deferred tax asset of \$3,961k brought forward from 2022 and revalued at 31st December 2023. Based on the projections, management believes that there will be sufficient future taxable profits to utilise the entire deferred tax asset. The whole amount of deferred tax is available as Tier 3 capital.

### *Other Assets / Receivables (Trade)*

The valuation of these other assets is the same under Solvency II and UK GAAP, fair value, the only exceptions being accrued interest due on investments being transferred to Investments and prepayments which do not meet the Solvency II valuation criteria – as prepayments could not be exchanged between knowledgeable willing parties in an arm's length transaction they are valued at nil.

## **D.2. Technical Provisions**

Technical Provisions reflect an amount of money as at the evaluation point (year-end) that would be needed to cover the future cost of claims and related expenses for all policies we have either written or committed to write, plus a Risk Margin. These are split into three component parts:

- Provision for future claim payments for events that have already taken place prior to the evaluation point – referred to here as the "Claims Provision";
- Provision for future claims on exposures yet to take place at the evaluation point – referred to here as the "Premium Provision"; and
- Risk Margin deemed to reflect a margin that would be necessary to effect a commercial portfolio transfer to another insurer.

The Company has applied appropriate methodologies and procedures to assess the sufficiency of the Technical Provisions and the calculation is consistent with the requirements set out in the PRA Rules and the Solvency II Regulations.

The Technical Provisions have been estimated at a homogeneous line of business level. The segmentation is based on obligations that have similar characteristics and are managed together by the business. The Company has no Life Technical Provisions, including Periodic Payment Orders.

Whilst some of the approaches and techniques applied under Solvency II are similar to those under UK GAAP reporting, there are areas where there are major changes. The main differences are:

- Movement to a cashflow basis for valuation of both gross business and outwards reinsurance;
- Removal of any implicit or explicit margins within the technical provisions to give a “true best estimate” for solvency purposes, defined as the mean of the full range of all possible future outcomes. IGI Held reserve contains no margins on a UK GAAP basis;
- Introduction of the valuation of very low probability extreme events including latent claims, referred to as “Events not in Data” (“ENIDs”);
- Introduction of all expenses which relate to recognised insurance and reinsurance obligations such as administrative expenses and investment management expenses;
- Removal of the requirements to hold an unearned premium reserve and to allow for other non-monetary items. These are essentially known as the “Premium Provision”, valued on a best estimate basis. This also includes a requirement to take account of all future premium cash inflows;
- Movement to recognising contracts on a “legal obligation basis”. This will mean the inclusion of business currently not valued as part of the technical provisions – for example 1st January renewals entered into prior to 31st December valuation. This item is called Bound But Not Incepted (“BBNI”);
- The basis for recognising existing contracts also impacts reinsurance contracts and their expected cashflows;
- Introduction of discounting, leading to increased volatility in reserves;
- The company does not use the matching adjustment, the volatility adjustment, the transitional risk-free interest rate-term structure or the transitional deduction, as referred in the PRA Rulebook and retained as UK law post – Brexit.
- Introduction of the principle of a market consistent basis and calculation of a Risk Margin; and
- Valuation of liabilities segmented by, at least, Solvency II lines of business.

The Solvency II lines of business represent the minimum level of granularity at which to perform the calculation. The principle of substance over form should underlie any segmentation. IGIUK estimates its technical provisions by homogeneous risk groups and allocates these estimates down to policy. IGIUK is then able to aggregate results by Solvency II line of business.

The best estimate technical provisions are calculated gross, without deduction for reinsurance, and reinsurance recoverable amounts are calculated separately, but on a basis consistent with the gross.

The following quoted figures and tables summarise the Gross, Ceded and Net positions, where Net has been derived as Gross less Ceded.

The Technical Provisions total of US\$508.7m (gross of reinsurance), US\$393.2m (ceded) and US\$115.5m (net of reinsurance) is subdivided by Line of Business in the following tables:

*Technical Provisions Gross of Ceded Reinsurance*

Line of Business	Abbrev	Claims Provision	Premium Provision	Risk Margin	Gross Technical Provisions
US\$'000 (Note 1)					

Marine, aviation and transport insurance and proportional reinsurance	MAT	29,868	2,152	1,082	33,101
Fire and other damage to property insurance and proportional reinsurance	Fire	53,225	9,905	966	64,095
General liability insurance and proportional reinsurance	Liability	239,833	40,835	4,265	284,933
Miscellaneous financial loss insurance and proportional reinsurance	Financial	27,353	26,820	1,444	55,617
Legal Expenses	LE	19,436	4,657	361	24,454
Non-proportional property reinsurance	NP Prop	38,645	203	954	39,802
Non-proportional casualty reinsurance	NP Cas	3,592	66	104	3,763
Non-proportional marine, aviation and transport reinsurance	NP MAT	3,001	(230)	141	2,912
<b>Total</b>		<b>414,953</b>	<b>84,408</b>	<b>9,317</b>	<b>508,678</b>

Note 1 - Values underlying the tables shown are held to the nearest \$1. When displayed and rounded to the nearest \$1,000 the row totals and column totals may differ from the sum of the rounded amounts.

### Technical Provisions Ceded reinsurance

Line of Business US\$'000 (Note 1)	Abbrev	Claims Provision	Premium Provision	Risk Margin	Technical Provisions
Marine, aviation and transport insurance and proportional reinsurance	MAT	(19,977)	(6,366)	0	(26,343)
Fire and other damage to property insurance and proportional reinsurance	Fire	(40,182)	(15,083)	0	(55,266)
General liability insurance and proportional reinsurance	Liability	(181,569)	(31,347)	0	(212,917)
Miscellaneous financial loss insurance and proportional reinsurance	Financial	(18,693)	(18,958)	0	(37,651)
Legal Expenses	LE	(14,510)	(5,549)	0	(20,059)
Non-proportional property reinsurance	NP Prop	(33,336)	(2,579)	0	(35,915)
Non-proportional casualty reinsurance	NP Cas	(2,782)	(148)	0	(2,930)
Non-proportional marine, aviation and transport reinsurance	NP MAT	(1,925)	(153)	0	(2,078)
<b>Total</b>		<b>(312,975)</b>	<b>(80,184)</b>	<b>0</b>	<b>(393,158)</b>

Note 1 - Values underlying the tables shown are held to the nearest \$1. When displayed and rounded to the nearest \$1,000 the row totals and column totals may differ from the sum of the rounded amounts.

### Technical Provisions Net of Ceded Reinsurance

Line of Business US\$'000 (Note 1)	Abbrev	Claims Provision	Premium Provision	Risk Margin	Technical Provisions
Marine, aviation and transport insurance and proportional reinsurance	MAT	9,891	(4,214)	1,082	6,759
Fire and other damage to property insurance and proportional reinsurance	Fire	13,042	(5,178)	966	8,829
General liability insurance and proportional reinsurance	Liability	58,264	9,488	4,265	72,016
Miscellaneous financial loss insurance and proportional reinsurance	Financial	8,659	7,862	1,444	17,966

Legal Expenses	LE	4,926	(892)	361	4,395
Non-proportional property reinsurance	NP Prop	5,309	(2,376)	954	3,887
Non-proportional casualty reinsurance	NP Cas	811	(82)	104	834
Non-proportional marine, aviation and transport reinsurance	NP MAT	1,076	(383)	141	833
<b>Total</b>		<b>101,979</b>	<b>4,224</b>	<b>9,317</b>	<b>115,520</b>

Note 1 - Values underlying the tables shown are held to the nearest \$1. When displayed and rounded to the nearest \$1,000 the row totals and column totals may differ from the sum of the rounded amounts.

### Methods

The following sets out the methods used to calculate the individual components shown in the above table.

### Claims Provision

Claims provision is the expected present value of the future cashflows arising from claim events occurring before or at the valuation date. The claims provision consists of:

- Reserve estimates for the UK GAAP accounts which are based on:
  - Outstanding Claims Reserves ('O/S') (reserves held for claims that have already been reported and which will be paid and settled in the foreseeable future) as determined by the Claims team based on a legal view, loss adjuster reports etc; and
  - Incurred But Not Reported ('IBNR') (reserves held for claims that have occurred but have not been reported as at the valuation date).
- An estimate of Unallocated Loss Adjustment Expense ('ULAE') is also added to these reserves.
- An estimate of Additional Expenses is also added to these reserves.

The IBNR reserve is estimated according to a range of widely used actuarial methods including evaluation of run-off patterns of paid and incurred claims (both internal and external benchmarks), and evaluation of expected loss ratios (both internal and external benchmarks) having regard to the impact of the underwriting cycle. This analysis takes place separately for each material line of business.

Reserves are estimated on both a Gross and Net of reinsurance basis. The Actuarial function assess how the reinsurance programme should respond to known unreported claims, historical recovery rates from reinsurance contracts and considering current Gross/Net ratios for each line of business, accident year and reinsurance contract type. This is estimated without margins for prudence as required by the regulations.

Using the patterns of claims payments and risk-free interest rates published by the Bank of England in accordance with the Valuation part of the PRA Rulebook for Solvency II firms, cash-flows are estimated and discounted for the time value of money.

The cashflow projections consider administrative, overhead, investment management, and claims management expenses which relate to the recognised insurance and re-insurance obligations.

Solvency II Technical Provisions are required to be a best estimate for all possible events. This will include events that may not have been experienced historically. Such events which are not presented in the observable historical data are referred to as ENIDs.

The Gross Claims Provision is then: O/S **plus** IBNR **less** Discount Credit **plus** ENIDs **plus** Expenses.

The ceded Claims Provisions is analogous to the gross with an allowance (deduction) for Reinsurance Default ('RI Default'). RI Default takes account of the amount of total expected recoveries within the claims reserve banded by the credit ratings of the reinsurers and is a different basis from UK GAAP bad debt provisions.

### Premium Provision

Premium provision is calculated on both future exposures related to existing business and for business that is bound but not yet incepted. BBNI policies are contracts that the Company is contractually committed to but which are not yet on-risk.

The approach is to estimate likely future claims and remove future premium to be received.

Likely future claims are estimated according to UK GAAP Unearned Premium Reserves multiplied by appropriate loss ratios which vary by line of business and are consistent with the loss ratios adopted in the Claims Provision calculations. Future premiums are estimated according to the actual payment terms of the policies. Both components are calculated gross and net of reinsurance, with assumptions where appropriate that future reinsurance terms will be consistent with projections within the Company's business plan and future management actions. The future reinsurance recoveries, allowed for in the net loss ratios, take account of the type of reinsurance applicable and for non-proportional coverage, and are consistent with the recoveries modelled in the derivation of the Business Plan. Netting down is undertaken by line of business, accident year and reinsurance contract type.

Where the allowance for future reinsurance anticipates recoveries on reinsurance contracts that are to be paid for after the valuation date, allowance is made for this cost. The largest element of this is likely to be the renewal of Treaties purchased on a Losses Occurring During basis.

A further allowance is calculated for additional expense reserves, being an estimate of future expenses that would be required to manage the claims without regard for future underwriting and which is calculated on a different basis from the allowance for claims management expenses in UK GAAP reserves. A single loading across Claims and Premium Provisions is calculated and included within Premium Provisions.

As with the Claims Provision calculation above, allowance is made for discounting, ENIDs, and RI Default. The calculation methods are the same but the results are different to allow for different claims payment timings and different exposure to reinsurers.

The Gross Premium Provision is then: The Future claims **less** future premiums **less** Discount **plus** Future cost of Reinsurance, **plus** ENIDs, **plus** total additional expense reserves.

The ceded Premium Provision is analogous to the gross with an allowance (deduction) for RI Default.

### Risk Margin

The risk margin has been considered to ensure that the value of the Technical Provisions is equivalent to the amount that would be expected to have to be paid to a third-party insurance company in order to take over and meet the insurance obligations.

The risk margin has been calculated based on the estimated capital requirements to run off the insurance obligations and applying a cost of capital of 4% as specified by the Solvency II regulations. The capital required to run-off the portfolio is based on the future estimated SCRs, taking account of underwriting risk and reinsurance counterparty risk. The Cost of Capital Charge changed from 6% to 4% due to regulations, which reduced the Risk Margin by US\$4,658k to US\$9,317k.

### Uncertainties

The key areas of uncertainty in the Technical Provisions are:

### Outstanding Case Reserves

As a specialty insurer IGIUK is exposed to large individual claims which in both first party and especially in third party coverages can change over time as new information emerges and negotiations take place. This risk is managed through regular claims reviews, consistent reserving philosophy and the allowance in IBNR for expected future movements on case reserves.

### IBNR Claims

Uncertainty in the estimate of IBNR is usually greater than for outstanding case reserves because much of the IBNR is in respect of claims that have not yet been reported. Regular Reserve Review meetings are held with the Claims Department and Underwriters in which movements in the account are discussed and differences in the Actual-to-Expected critically examined to identify random timing or fluctuations as distinct from clear reserving signals. A formal Reserving Committee containing representatives of Underwriting, Claims, Finance, Management and Actuarial meet at least quarterly providing robust reserving governance.

### Estimation of claims on future exposures

Estimates of future claims are generally more uncertain than reserves for claims that have already taken place. The Company has a formal Business Plan to derive expected loss ratios for future exposures which considers attritional, large and catastrophe claims separately and takes account of historical and expected future movements in premium rates. These loss ratios, which are consistent with the IBNR reserving analysis, inform the Company's annual corporate plan and are used for future claims estimates in the Premium Provision.

### Catastrophe Losses

The Claims Provision incorporates known natural catastrophe events, whereas the future claims part of the Premium Provision is exposed to potential future catastrophes. The Company models its catastrophe exposure and incorporates the findings into its reinsurance purchases, risk capital and expected future loss ratios.

### Environmental, Social and Governance (ESG)

If they occur, environmental, social or governance events / conditions could cause an actual or a potential material negative impact to the value of the Technical Provisions or to the entire balance sheet of IGIUK.

IGIUK is aware of the impact and potential risks of climate change. IGIUK's current assessment is that in the short to medium term, it presents very limited uncertainty on the Technical Provisions other than the uncertainty inherent in the transaction of insurance and reinsurance obligations.

IGI continues to focus on ESG initiatives through its ESG Committee, and actively monitors upcoming regulatory and local requirements for each relevant jurisdiction.

### Geopolitical Risks

Geopolitical risks continue to be a key area of uncertainty, particularly in respect of the Russia / Ukraine war since February 2022 and the war between Israel and Hamas since October 2023. Whilst the Company has minimal insurance exposures to these conflicts, there may be subsequent issues including international sanctions, political instability, and disruption to supply chains which could have an impact to IGI in the future.

The Company is also aware of the potential risks relating to civil unrest due to several elections taking place over 2024, including Bangladesh, India, USA, Indonesia, Pakistan, Russia, Mexico, and the UK general election to occur before 28th January 2025. These geopolitical risks are monitored continuously in respect

of exposures to the Political Violence class and the wider IGI business. At the time of writing, we consider there to be no material impact to include within the Technical Provisions and note that some of the previously mentioned elections have occurred with no notifications of loss to IGI through either the Political Violence class or the wider business.

### Inflation

After decades of historically low levels, inflation picked up from around the second half of 2021. Initially this was considered to be temporary, and central banks were reluctant to raise interest rates to dampen excessive economic demand. However, inflation increased rapidly, and inflationary pressures were compounded by the Russian invasion of Ukraine and the consequent price rises in food and energy.

Whilst inflation appears to have passed its peak, there remains continued uncertainty around future inflationary trends.

Inflationary pressures will ultimately result in claims inflation through the increase in the cost to settle insurance claims in the future. While this will increase uncertainty around future claim settlement costs, IGIUK is taking claims inflation into consideration in its Premium Provisions, via Initial Loss Ratio Assumptions, and Claims Provisions, via a loading applied to IBNR and Outstanding Claims. We will continue to monitor inflation rates and remain alert to emerging trends.

Additionally, so-called 'Social inflation' has been observed in the US insurance market, particularly in the liability classes of business. Social inflation refers to the impact that societal factors (e.g., legal advertising, litigation funding, expanding class-action lawsuits, public distrust of corporate defendants, etc.) can have on insurance claims. Whilst this is not currently a concern for IGIUK, there is also no evidence that social inflation has increased claims frequency and severity for the IGI Group as a whole. However, we continue to monitor any developments such as frequency trends of class actions, and any changes in the legal environment and Directives.

At the time of writing, IGIUK has not observed any significant increased claims frequency arising from recessionary pressures on the UK economy. However, we believe we have made robust assumptions to deal with the prevailing market conditions.

### Market environment

IGIUK operates through brokers and is subject to uncertainties including the rating environment, customer retention and broking trends such as creation of automatic acceptance facilities. Each line of business is affected differently. The Company responds to these uncertainties by regular monitoring of these trends and incorporating up to date insight in its forward-looking Business Plan and projections.

### Description of Recoverables from Reinsurance Contracts

Reinsurance recoveries are provided on the basis of paid and incurred claims for each Line of Business ('LoB')/Accident Year by type (Facultative, external Quota Share and Excess of Loss Treaty) as factual inputs to the IBNR assessment process.

Reserves for outward reinsurance recoveries on estimated IBNR claims are determined by the application of reinsurance recovery ratios to the estimated gross IBNRs. Specifically, IBNR by line of business and year is apportioned by policy and Facultative and Proportional Treaty (excluding the BRT), a 65% proportional reinsurance facility that IGI Bermuda, the reinsurer, provides to IGIUK covers are then applied.

The resulting IBNR is then subdivided between Pure IBNR and Incurred But Not Enough Reported ('IBNER'). Pure IBNR is netted down using the Initial Expected reinsurance recovery ratio, derived in the business planning exercise and IBNER netted down by applying a judgementally selected net to gross ratio, based on the ratio of net to gross incurred claims for each line of business by year.

Having allocated gross and ceded (pre-BRT reinsurance) IBNR by policy, results for each risk-taking entity of IGI Group are readily derived. The BRT is then applied to the IGIUK (pre-BRT) net position and the post BRT IGIUK values derived.

### *Material Differences With UK GAAP*

IGIUK's financial statements are prepared in accordance with UK GAAP. The most material element in Technical Provisions – UK GAAP claims reserves (O/S + IBNR) – is common to both UK GAAP and Technical Provisions.

The following describes the linkage between UK GAAP reserves and Technical Provisions as quantified in the table:

- Removal of Unearned Premium Reserve: This is a material component of reserves on a UK GAAP balance sheet, but its removal is accompanied by the removal of premiums receivable as an offsetting asset. The effect when taking the balance sheet as a whole is therefore less material than when comparing only UK GAAP reserves against Technical Provisions. This is the most important difference arising from the cashflow basis of Solvency II compared with the accruals basis of UK GAAP, and is replaced by the inclusion of the Premium Provision;
- Explicit consideration of contract boundaries, such as recognising 'bound but not incepted' business as a liability;
- Applying yield curves to future cashflows to allow for the time value of money;
- Inclusion of additional expense reserves to provide an amount reflecting the full cost of running off the Claims and Premium Provisions;
- Inclusion of Risk Margin;
- Inclusion of provision for ENIDs; and
- Different basis for provision for RI Default.

*Technical Provisions Reconciliation with UK GAAP by Line of Business*

US\$'000 (Note 1)	MAT	Fire	Liability	Financial	LE	NP prop	NP Cas	NP MAT	Total
<b>CLAIMS PROVISION</b>	9,891	13,042	58,264	8,659	4,926	5,309	811	1,076	<b>101,979</b>
Breakdown:									
Gross IFRS reserve Including ULAE	29,987	54,849	248,367	28,566	19,313	38,864	3,653	3,012	<b>426,612</b>
LESS Reinsurance amount	(20,370)	(42,063)	(190,958)	(19,838)	(14,635)	(34,012)	(2,868)	(1,962)	<b>(326,707)</b>
LESS Discount amount	(499)	(970)	(4,738)	(772)	(202)	(295)	(54)	(52)	<b>(7,582)</b>
PLUS ENID	323	413	1,815	273	160	162	24	33	<b>3,203</b>
PLUS RI Bad Debt	23	53	351	39	13	39	4	2	<b>523</b>
PLUS Expenses	427	761	3,427	391	278	552	51	43	<b>5,930</b>
<b>PREMIUM PROVISION</b>	(4,214)	(5,178)	9,488	7,862	(892)	(2,376)	(82)	(383)	<b>4,224</b>
Breakdown:									
Gross IFRS UPR (Note 2)	16,533	49,090	76,677	28,741	9,850	11,619	524	408	<b>193,443</b>
PLUS UPR for Bound but not Incepted	9,490	26,258	18,675	3,773	3,764	7,535	251	558	<b>70,304</b>
Apply Expected Loss Ratio (for future claims)	12,092	35,135	62,054	31,590	8,190	9,432	393	315	<b>159,201</b>
Less Reinsurance amount	(8,231)	(26,427)	(48,228)	(20,705)	(6,218)	(7,132)	(290)	(210)	<b>(117,441)</b>
LESS Discount amount	(197)	(708)	(1,359)	(942)	(108)	(150)	(11)	(8)	<b>(3,482)</b>
LESS Future Premium (discounted)	(8,745)	(15,269)	(4,855)	(2,724)	(3,081)	(5,279)	(200)	(524)	<b>(40,677)</b>
PLUS ENID	138	302	470	375	70	81	3	4	<b>1,443</b>
PLUS RI Bad Debt	11	42	111	41	9	11	1	0	<b>226</b>
PLUS Expenses	718	1,746	1,294	229	246	660	22	39	<b>4,955</b>
<b>Best Estimate</b>	5,677	7,864	67,751	16,522	4,034	2,933	729	692	<b>106,203</b>
<b>Risk Margin</b>	1,082	966	4,265	1,444	361	954	104	141	<b>9,317</b>
<b>Total Technical Provisions</b>	<b>6,759</b>	<b>8,829</b>	<b>72,016</b>	<b>17,966</b>	<b>4,395</b>	<b>3,887</b>	<b>834</b>	<b>833</b>	<b>115,520</b>

Note 1 – Values underlying the tables shown are held to the nearest \$1. When displayed and rounded to the nearest \$1,000 the row totals and column totals may differ from the sum of the rounded amounts.

Note 2 – The amount of US\$193.4m in the table above is net of deferred acquisition costs. The Gross UPR is US\$245.4m with acquisition costs of US\$51.9m. UPR includes Pipeline Premium.

The Valuation of Technical Provisions from UK GAAP to Solvency II is provided in the table below:

Description US\$'000	GAAP Technical Reserves	Adjustment for Solvency Purposes	Solvency II Technical Provision
Gross Claims Reserve	426,612	-11,659	414,953
Gross Premium Reserve	246,372	-161,964	84,408
Risk Margin		9,317	9,317
<b>Total Gross Reserves</b>	<b>672,984</b>	<b>-164,306</b>	<b>508,678</b>
Reinsurance	-506,467	113,309	-393,158
<b>Net Reserves</b>	<b>166,517</b>	<b>(50,997)</b>	<b>115,520</b>

### D.3. Other Liabilities

The following table provides a summary of insurance payables and liabilities other than Technical Provisions for the year ended 31st December 2023:

Description US\$'000	Value as per UK GAAP Financial Statements	Reclassification / Adjustment for Solvency Purposes	Value as per Solvency II
Other Technical Provisions	59,437	(59,437)	-
Insurance and Intermediaries Payables	20,855	-	20,855
Reinsurance Payables	46,028	(12,548)	33,480
Payables (trade, not insurance)	1,676	-	1,676
Subordinated Liabilities	35,000	3,769	38,769
Other Liabilities	15,355	-	15,355
<b>Total Liabilities</b>	<b>178,351</b>	<b>(68,216)</b>	<b>110,135</b>

No changes were made during the reporting period to the bases and estimation approaches used to recognise and value liabilities except in respect of Subordinated Liabilities as detailed below.

Similar to Deferred Acquisition Costs in Assets, there is no concept of Unearned Commissions, included in Other Technical Provisions in the table above, under Solvency II. Unearned Commissions are included in the Premium Provisions valuation and therefore not included as a liability.

The Subordinated Liabilities have been valued on a fair value basis, with any changes in own credit standing removed for subsequent measurement. A discounted cash flow model using the risk-free rate relevant to each instrument has been used to assess fair value resulting in an increase in the value of the liability by US\$3,769k. Movements in risk-free rates from the date of issuance to the reporting date are the only drivers of changes in fair value. No changes in the issuer's credit standings are applied.

The only other difference in the valuation of the liabilities, other than the Technical Provision between UK GAAP and Solvency II, is the reinstatement premium payables which form part of the best estimate Technical Provision calculation.

The amounts held under UK GAAP measurement principles in respect of the other liabilities are deemed to be approximations of fair value and therefore valued in accordance with the Solvency II valuation rules with no further adjustment required.

### D.4. Alternative methods for valuation

Alternative methods for valuation are applied in the valuation of assets or liabilities only where a readily observable external market valuation is not available.

The only alternative method applied is in the valuation of the Subordinated Liabilities where a discounted cash flow model has been applied.

The Company does not use any other alternative methods for the valuation of its assets and liabilities.

### D.5. Other material information

There is no other material information that requires disclosure.

## E. Capital Management

The objective in managing IGIUK's Own Funds is to ensure that capital meets the Solvency Capital Requirement, with an appropriate margin, and that sufficient liquidity is available for the payment of claims in order that the Company is able to meet its legal obligations as they fall due. IGIUK maintains the protection of a full Parental Guarantee providing additional policyholder protection beyond that provided by its own capital resources.

The Company has an Investment Policy that sets out the principles and minimum standards for investment of financial assets as well as for asset liability management. The Policy also deals with liquidity risk, credit risk, market risk, the asset/liability management process and the process for appointing investment managers.

Cash at hand and projected cash flows are reviewed to ensure the most efficient use of funds and to ensure that sufficient cash is available for the payment of obligations as they fall due.

### E.1. Own Funds

The following table analyses the differences between the equity in the UK GAAP (2023)/IFRS (2022) financial statements and the excess of the assets over liabilities as calculated for Solvency II purposes as at 31st December:

<b>Excess of assets over liabilities</b>	<b>US\$'000</b>	<b>US\$'000</b>
	<b>2023</b>	<b>2022</b>
Total Equity in the financial statements	131,514	103,708
Difference in the valuation of assets	(237,147)	(187,716)
Difference in the valuation of gross technical provisions	164,306	130,019
Difference in the valuation of other liabilities	68,216	52,600
<b>Excess of assets over liabilities under Solvency II</b>	<b>126,889</b>	<b>98,611</b>

Whilst 2022 Total Equity in the above is shown under IFRS, the difference with UK GAAP is not material, being less than 1%.

The following table shows the analysis of Tier 1, Tier 2 and Tier 3 Own Funds as at 31st December 2023 of US\$165,657k (2022: US\$135,644k):

<b>Own Funds</b>	<b>US\$'000</b>	<b>US\$'000</b>
	<b>2023</b>	<b>2022</b>
Ordinary share capital	68,447	68,447
Reconciliation reserve	53,039	24,159
<b>Tier 1 Own Funds – Unrestricted assets over liabilities under Solvency II</b>	<b>121,486</b>	<b>92,606</b>
Tier 2 Own Funds – Subordinated liabilities	38,769	37,033
Tier 3 Own Funds – Deferred tax	5,402	6,005
<b>Own Funds</b>	<b>165,657</b>	<b>135,644</b>

The whole of the Tier 1 Own Funds are eligible to cover both the SCR and the Minimum Capital Requirement. Tier 1 includes a reconciliation reserve of \$53,039k which comprises the excess of Solvency II assets over liabilities less share capital and the deferred tax asset, and includes \$19,324k of additional capital contributions from shareholders. The increase during the year is largely due to profits made during the year and the reduction in the statutory cost of capital rate in the risk margin.

There has not been any increase or decrease in the amount of Tier 2 Subordinated Liabilities in the year – the increase in the valuation is as a result of changes in the Bank of England base rate during the year.

As Tier 2 Own Funds may account for up to 50% of the SCR, together with the eligible Tier 3 Own Funds, the whole of the US\$38,769k is eligible to cover the SCR.

In respect of the Minimum Capital Requirement, the eligibility of the Tier 2 Subordinated Liabilities is restricted to 20% of the value of the Minimum Capital Requirement, so restricted to US\$4,712k at 31st December 2023 and US\$4,081k at 31st December 2022.

The Subordinated Liabilities of US\$10,993k and US\$27,776k were provided by IGI Bermuda, the Company's immediate parent company. The loans are unsecured, have repayment dates of 26th September 2029 and 23rd December 2029 respectively, are subordinated to all other creditors of the Company and cannot be repaid without the prior consent of the Prudential Regulation Authority. Interest of 0.5% above the Bank of England base rate is payable on the loans.

Under the Solvency II eligibility limits, as the Deferred Tax Asset of US\$5,402k (2022: US\$ 6,005k) is less than 15 % of the Solvency Capital Requirement, it is all available as a basic Own Funds item classified as Tier 3 to cover the Solvency Capital Requirement. However, it is not eligible to meet the Minimum Capital Requirement.

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

IGIUK has chosen the Solvency II Standard Formula method to calculate its regulatory capital requirement.

The Company has assessed the appropriateness of the Standard Formula on both a qualitative and quantitative basis and considers it to provide a good fit to the Company's business and risk profile and no material deviations were indicated.

Specifically, the assessment confirms that the Standard Formula:

- Captures the full scope of risks to which the Company is exposed and for which the holding of capital is an appropriate response;
- Is sufficiently sensitive to future changes in the risk profile on both the asset and liabilities side of the balance sheet including the influence of outwards reinsurance arrangements;
- Has been applied in full with no application of undertaking-specific parameters or transitional measures; and
- Is applied with an adjustment for the risk absorbing capacity of deferred taxes.

### *Amounts of SCR and MCR*

	2023		2022	
	USD '000	%	USD '000	%
SCR	94,255	176%	89,127	152%
MCR	23,564	536%	22,282	436%

As required by the IGIUK Own Risk and Solvency Assessment process, the Standard Formula SCR is assessed at least quarterly and at other times in response to an actual or projected material change in the risk profile and its results reported in full to the IGIUK ARCC and Board. The adequacy of the Company's Own Funds to meet the SCR is monitored on an ongoing basis and particularly in the event of an anticipated or actual material impairment in the level of Own Funds.

Furthermore, the 2023 year end calculation of the SCR as included in this report has been subject to internal and external validation. The SCR is also subject to supervisory assessment.

Following changes made to the 'Bermuda Risk Transfer' ('BRT') in early 2024, a loss of US\$7.2m relating to an economic value adjustment for the 2023 BRT will be booked in 2024 which, had it been booked in 2023, would have reduced the solvency ratio from 176% to approximately 169%.

### *Solvency Position*

The SCR as of 31st December 2023 amounts to US\$94,255k (2022: US\$89,127k) comprising the Basic Solvency Capital Requirement ('BSCR') of US\$87,225k (2022: US\$78,216k) and the Operational Risk charge of US\$14,981k (2022: US\$13,466k). The Company has also adjusted the SCR to take into account the Loss Absorbing Capacity of Deferred Taxes ('LACDT') at US\$7,950k (2022: US\$2,555k).

The following table shows IGIUK's SCR for the year ended 31st December 2022 and 2023, split by risk module:

SCR Component	US\$'000	US\$'000
	2023	2022
Market Risk	19,284	14,681
Counterparty Default Risk	19,071	17,641
Non-life Underwriting Risk	68,679	62,460
Diversification between Risk Categories	(19,809)	(16,565)
<b>Basic Solvency Capital Requirement</b>	<b>87,225</b>	<b>78,216</b>
Operational Risk	14,981	13,466
Loss absorbing capacity of deferred taxes	(7,950)	- (2,555)
<b>Solvency Capital Requirement</b>	<b>94,255</b>	<b>89,127</b>



With allocation of the diversification and LACDT benefit on a pro-rated basis, as shown in the table below, it is noted that consistent with the previous year, the SCR is mainly driven by Non-Life Underwriting Risk contributing 56.3% (2022: 57.7%) of the total SCR while Market Risk and Counterparty Default Risk constituted about 15.8% (2022: 13.6%) and 15.6% (2022: 16.3%) respectively.

SCR Component	2023		2022	
	USD '000	%	USD '000	%
Market Risk	14,896	15.8%	12,087	13.6%
Counterparty Default Risk	14,732	15.6%	14,525	16.3%
Non-life Underwriting Risk	53,054	56.3%	51,427	57.7%
Operational Risk	11,573	12.3%	11,087	12.4%
<b>Total SCR</b>	<b>94,255</b>	<b>100.0%</b>	<b>89,127</b>	<b>100.0%</b>

The SCR of US\$94,255k (2022: US\$89,127k) is covered by Own Funds of US\$165,657k (2022: US\$135,644k) providing an SCR ratio of 176% (2022: 152%).

#### *Standard Formula simplifications*

The Company does not make use of simplifications for any of the modules or sub-modules of the SCR.

#### *Use of undertaking-specific parameters*

The Company does not make use of undertaking-specific parameters.

#### *Capital add-ons*

No capital add-on has been imposed by the PRA.

#### *Information on inputs used in the calculation of the MCR*

The MCR is determined by applying prescribed factors to Net Best Estimate Liability and Net Written Premium, limited by a collar relative to the SCR value and by an absolute floor. As provided in template S.28.01.01 the MCR at 31st December 2023 amounts to US\$23,564k (2022: US\$22,282k).

### *Material Changes to the SCR and MCR*

The Total SCR has remained relatively stable, with an increase of approximately 5.8% over the reporting period, from US\$89,127k at 31st December 2022 to US\$94,255k at 31st December 2023.

The below outlines the main material changes to the SCR:

- Catastrophe Risk increased from US\$38,260k to US\$43,957k. This is mainly driven by an increased volume of business for Natural catastrophe and Non-proportional catastrophe.
- Market Risk increased from US\$14,681k to US\$19,283k. This has been driven by:
  - Currency Risk increased from US\$5,944k to US\$9,335k. This is largely due to net asset value matching of the portfolio, and an increase in the mismatches for GBP and EUR.
  - Following an EIOPA Q&A, Term Deposits are now being treated as bonds which results in a significant increase in Concentration Risk and a smaller increase in Spread Risk.
- LACDT increased from US\$2,555k to US\$7,950k which reduces the net SCR.

The MCR requirement over the period has remained relatively stable and, given its quantum in the context of the solvency position of IGIUK, is by comparison not considered material. The Cost of Capital Charge changed from 6% to 4% due to regulations, which reduced the Risk Margin by US\$4,658k to US\$9,317k.

### *Loss Absorbing Capacity of Deferred Taxes*

The 2023 year end SCR has been reduced by US\$7,950k (2022: US\$2,555k) in respect of the loss-absorbing capacity of deferred tax (LACDT). This comprises a carry-back against the corporation tax provision of US\$7,950k in respect of the 2023 profit of US\$35,574k.

The US\$7,950k is below the indicative maximum for LACDT, US\$25.6m, being 25% of the pre-tax SCR of US\$102.2m.

### **E.3. Use of the Duration Based Equity Risk Sub Module in the SCR calculation**

Not applicable.

### **E.4. Difference between the Standard Formula and any Internal Model used**

Whilst the Company uses stochastic capital modelling to support its decision making and pricing processes, it does not use a model in the sense of an 'Internal Model' for the purpose of calculating its regulatory capital requirements.

### **E.5. Non-Compliance with the SCR and MCR**

During 2023, the Company maintained a SCR ratio in excess of 100% and the 130% risk appetite limit as set by the Board. In addition, the Company had Own Funds in excess of the MCR at all times. Furthermore, the Company has no foreseeable risk of non-compliance given its relatively stable risk profile and extensive risk mitigation arrangements.

Were the Company to project a material lowering of its solvency ratio (either through a significant increase in the SCR or an adverse development in the level of Own Funds) the Board would determine the appropriate

action to be taken. This might include risk mitigation, the injection of further capital from its parent (via an arrangement that is already explicitly in place) or through a hybrid of these two approaches.

It should be noted that IGIUK maintains the protection of a full Parental Guarantee providing additional policyholder protection beyond that provided by its own capital resources.

#### **E.6. Other material information**

There is no other material information regarding capital management that requires disclosure.

## F. Quantitative Reporting Templates

The templates listed below form part of the Annual Regulatory Templates required to be published alongside the SFCR and are provided as an Appendix to this document.

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

## G. Approval

Approval by the IGIUK Board of Directors of the Solvency and Financial Condition Report

Financial period ended 31st December 2023

We certify that:

- The Solvency and Financial Condition Report ('SFCR') has been properly prepared in all material respects in accordance with the Prudential Regulation Authority ('PRA') rules and Solvency II Regulations; and
- We are satisfied that:
  - throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the Company; and
  - it is reasonable to believe that, as at the date of the publication of the SFCR, the Company has continued to comply, and will continue to do so in future.

On behalf of the Board



Cliff Murphy

**UK Finance Director, IGIUK Board**

04 April 2024

## H. Report of the External Auditors

**Report of the independent external auditor to the Directors of International General Insurance Company (UK) Limited ('the Company') pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms**

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

### Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2023:

- The 'Valuation for solvency purposes' and 'Capital management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2023 (**'the Narrative Disclosures subject to audit'**); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 (**'the Templates subject to audit'**).

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

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

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S.05.01.02, S.05.02.01 and S.19.01.21; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (**'the Responsibility Statement'**).

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

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of International General Insurance Company (UK) Limited as at 31 December 2023 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including 'ISA (UK) 800 (Revised) *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*' and 'ISA (UK) 805 (Revised) *Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*'. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the relevant elements of the Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included an assessment of the reasonableness of the Company's going concern assessment. The going concern assessment period covered by the Company was to 06 April 2025. We have:

- Confirmed our understanding of the directors' going concern assessment process and reviewed the directors' assessment which covers the period of 12 months from when the relevant elements of the Solvency and Financial Condition Report are authorised for issue.
- Performed enquiries of management and those charged with governance to identify risks or events that may impact the company's ability to continue as a going concern. We also reviewed minutes of meetings of the Board and its committees to assess whether there were any other matters discussed that may have an impact on the company's ability to continue as a going concern;
- Considered the solvency and liquidity position of the Company and the extent of protection provided by intra group arrangements;
- Evaluated the financial strength of the ultimate parent company, International General Insurance Holdings Ltd. and the immediate parent company, International General Insurance Co. Ltd.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the relevant elements of the Financial Condition Report are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

#### **Emphasis of matter – basis of accounting and restriction on use**

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 accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority ('PRA'). As a result, the Solvency and Financial Condition Report may not be suitable for another purpose.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

#### **Other information**

The Directors are responsible for the Other Information contained within the Solvency and Financial Condition Report.

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

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the relevant elements of the Solvency and Financial Condition Report themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

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

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine 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 Directors are responsible for assessing the Company's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report**

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

Our objectives are to obtain reasonable assurance about whether the relevant elements 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 (UK) will always detect a material misstatement when it exists.

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

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

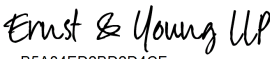
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the direct laws and regulations related to elements of Company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included regulatory and supervisory requirements of the PRA and the Financial Conduct Authority ('FCA').
- We understood how the Company is complying with those frameworks by obtaining a general understanding of how the Company complies with these legal and regulatory frameworks by making enquiries of management and through discussion with the Board. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and the Audit Committee; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related items in the relevant elements of the Solvency and Financial Condition Report.
- For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the FCA and PRA.

- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor responsible for the audit considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report on the Solvency and Financial Condition Report.

### Report on Other Legal and Regulatory Requirements

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

DocuSigned by:  
  
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Ernst & Young LLP  
London  
05 April 2024

The maintenance and integrity of International General Insurance Company (UK) Limited web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.

# International General

## Solvency and Financial Condition Report

### Disclosures

31 December

**2023**

(Monetary amounts in USD thousands)

## General information

Undertaking name	International General Insurance Company (UK) Ltd
Undertaking identification code	2138009PPGB2LQ8XZC76
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

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

S.02.01.02

Balance sheet

Solvency II value	
C0010	
	5,402
	0
	233,051
	0
	0
	8,019
	8,019
	169,153
	695
	168,458
	0
	0
	0
	55,879
	0
	0
	0
	393,158
	393,158
	393,158
	0
	0
	0
	30,227
	11,921
	155
	0
	0
	67,287
	4,501
	745,702

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	<b>Total assets</b>

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	508,678
R0520	<i>Technical provisions - non-life (excluding health)</i>	508,678
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	499,361
R0550	<i>Risk margin</i>	9,317
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	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	20,855
R0830	Reinsurance payables	33,480
R0840	Payables (trade, not insurance)	1,676
R0850	Subordinated liabilities	38,769
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	38,769
R0880	Any other liabilities, not elsewhere shown	15,355
R0900	<b>Total liabilities</b>	618,813
R1000	<b>Excess of assets over liabilities</b>	126,888





## 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	0	0	0		0		0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
<b>Technical provisions calculated as a sum of BE and RM Best estimate</b>																		
<b>Premium provisions</b>																		
R0060	Gross						2,152	9,905	40,835	0	4,657		26,820		66	-230	203	84,408
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						6,366	15,083	31,347	0	5,549		18,958		148	153	2,579	80,184
R0150	<b>Net Best Estimate of Premium Provisions</b>						-4,214	-5,178	9,488	0	-892		7,862		-82	-383	-2,376	4,224
<b>Claims provisions</b>																		
R0160	Gross						29,868	53,225	239,833	0	19,436		27,353		3,592	3,001	38,645	414,953
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						19,977	40,182	181,569	0	14,510		18,693		2,782	1,925	33,336	312,975
R0250	<b>Net Best Estimate of Claims Provisions</b>						9,891	13,042	58,264	0	4,926		8,659		811	1,076	5,309	101,979
R0260	<b>Total best estimate - gross</b>						32,020	63,130	280,668	0	24,093		54,173		3,659	2,771	38,848	499,361
R0270	<b>Total best estimate - net</b>						5,677	7,864	67,751	0	4,034		16,522		729	692	2,933	106,203
R0280	<b>Risk margin</b>						1,082	966	4,265	0	361		1,444		104	141	954	9,317
<b>Amount of the transitional on Technical Provisions</b>																		
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	<b>Technical provisions - total</b>						33,101	64,095	284,933	0	24,454		55,617		3,763	2,912	39,802	508,678
R0330	<b>Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total</b>						26,343	55,266	212,917	0	20,059		37,651		2,930	2,078	35,915	393,158
R0340	<b>Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total</b>						6,759	8,829	72,016	0	4,395		17,966		834	833	3,887	115,520

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											-231	-231	-231
R0160	-9	6,356	14,493	1,699	610	2,799	568	-746	-293	284	53		53	25,822
R0170	-8	14,671	18,166	17,927	4,405	884	552	-92	-290	1,549		1,549	1,549	57,772
R0180	-7	10,332	55,530	17,687	3,306	-3,064	2,839	1,173	304			304	304	88,108
R0190	-6	30,982	75,722	28,293	8,048	3,149	3,138	1,305				1,305	1,305	150,636
R0200	-5	13,987	18,536	7,865	4,120	5,875						5,875	5,875	56,157
R0210	-4	10,160	17,895	6,735	11,712	4,736						4,736	4,736	51,236
R0220	-3	7,458	23,456	24,672	17,042							17,042	17,042	72,628
R0230	-2	9,912	21,543	19,206								19,206	19,206	50,660
R0240	-1	7,567	26,892									26,892	26,892	34,458
R0250	0	22,051										22,051	22,051	22,051
R0260													98,682	609,299
													<b>Total</b>	

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											1,275	1,259	
R0160	-9	0	0	11,591	7,423	3,552	1,796	-254	-526	-638	448		436	
R0170	-8	0	37,416	14,958	7,232	3,814	2,759	2,340	3,164	1,515			1,460	
R0180	-7	95,006	43,441	18,428	5,597	9,329	6,390	5,670	4,061				3,880	
R0190	-6	129,289	62,455	37,587	27,730	19,542	18,702	14,972					14,177	
R0200	-5	63,492	51,140	39,202	30,461	17,151	19,076						18,177	
R0210	-4	77,686	54,390	27,308	32,291	28,595							26,920	
R0220	-3	135,318	108,701	81,743	63,677								59,303	
R0230	-2	150,414	105,609	55,654									51,567	
R0240	-1	150,976	96,140										88,776	
R0250	0	162,225											148,998	
R0260													<b>Total</b>	414,953

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	<b>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</b>
R0230	<b>Deductions for participations in financial and credit institutions</b>
R0290	<b>Total basic own funds after deductions</b>

**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	<b>Total ancillary own funds</b>

**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	<b>SCR</b>
R0600	<b>MCR</b>
R0620	<b>Ratio of Eligible own funds to SCR</b>
R0640	<b>Ratio of Eligible own funds to MCR</b>

**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	<b>Reconciliation reserve</b>

**Expected profits**

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	<b>Total Expected profits included in future premiums (EPIFP)</b>

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
68,447	68,447		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
53,040	53,040			
38,769		0	38,769	0
5,402				5,402
0	0	0	0	0
0				
0				
165,657	121,487	0	38,769	5,402

0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0

165,657	121,487	0	38,769	5,402
160,256	121,487	0	38,769	
165,657	121,487	0	38,769	5,402
126,200	121,487	0	4,713	

94,255
23,564
175.75%
535.56%

C0060
126,888
0
73,848
0
53,040

12,352
12,352

## S.25.01.21

## Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	19,284		
R0020 Counterparty default risk	19,071		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	68,679		
R0060 Diversification	-19,809		
R0070 Intangible asset risk	0		
<b>R0100 Basic Solvency Capital Requirement</b>	<b>87,225</b>		
<b>Calculation of Solvency Capital Requirement</b>			
R0130 Operational risk	14,981		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes	-7,950		
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
<b>R0200 Solvency Capital Requirement excluding capital add-on</b>	<b>94,255</b>		
R0210 Capital add-ons already set	0		
<b>R0220 Solvency capital requirement</b>	<b>94,255</b>		
<b>Other information on SCR</b>			
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		
<b>Approach to tax rate</b>			
R0590 Approach based on average tax rate	No		
<b>Calculation of loss absorbing capacity of deferred taxes</b>			
<b>LAC DT</b>			
	C0130		
R0640 LAC DT	-7,950		
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	0		
R0670 LAC DT justified by carry back, current year	-7,950		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	-25,551		

## 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<sub>NL</sub> Result

C0010

21,881
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Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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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	
5,677	13,306
7,864	21,360
67,751	28,267
0	
4,034	5,022
0	
16,522	5,444
0	
729	371
692	339
2,933	6,059

Linear formula component for life insurance and reinsurance obligations

R0200 MCR<sub>L</sub> Result

C0040

0
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Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
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C0050

C0060

R0210	Obligations with profit participation - guaranteed benefits
R0220	Obligations with profit participation - future discretionary benefits
R0230	Index-linked and unit-linked insurance obligations
R0240	Other life (re)insurance and health (re)insurance obligations
R0250	Total capital at risk for all life (re)insurance obligations


Overall MCR calculation

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

21,881
94,255
42,415
23,564
23,564
4,248
23,564