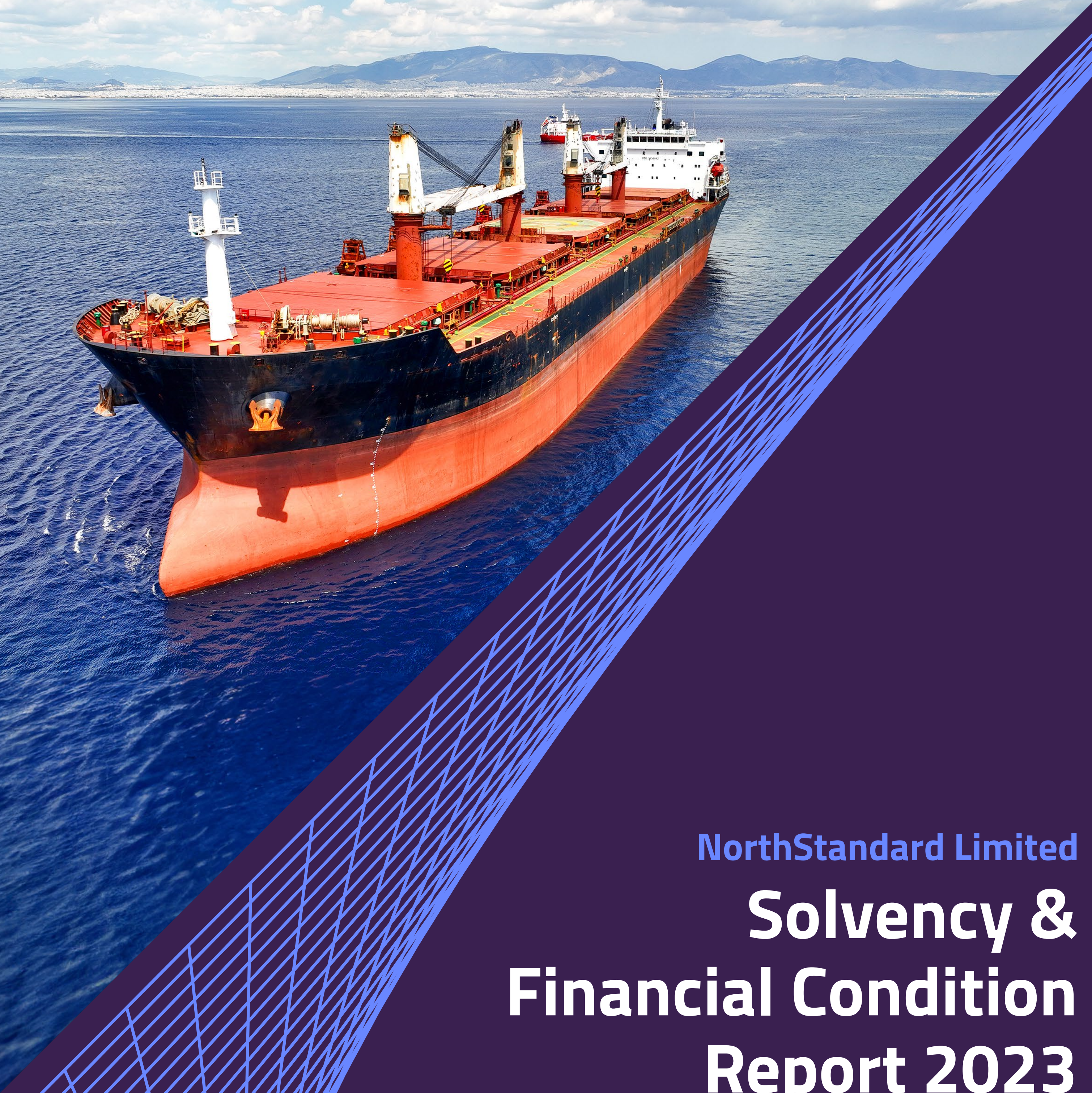


NorthStandard Limited

Solvency & Financial Condition Report 2023

NorthStandard
Formerly North

Index

Approval by the Board of Directors

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report ("SFCR") in all material respects in accordance with the PRA rules and the Solvency II Regulations.

We are satisfied that:

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

On behalf of the Board of Directors

PA Jennings
Director

Date: 25 May 2023

Report of the external independent auditor to the Directors of NorthStandard Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

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

Opinion

Except as stated below, we have audited the following documents prepared by NorthStandard Limited as at 20 February 2023:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of NorthStandard Limited as at 20 February 2023, ('**the Narrative Disclosures subject to audit**'); and
- Company templates S02.01.01, S17.01.01, S23.01.01, S25.01.01, S28.01.01 ('**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:

- Information contained within the relevant elements of the Solvency and Financial Condition Report, set out about above, which are identified in the Appendix to this report;
- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S05.01.01, S19.01.01;
- 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 NorthStandard Limited as at 20 February 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, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

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

Emphasis of matter – basis of accounting

We draw attention to the 'Valuation for solvency purposes' section 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. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

In auditing 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 included the below:

• Review and challenge of the Company's current plans and budgets, challenging growth assertions and checking that movements were in line with justifiable assumptions and were consistent with our understanding of the business. The 2023/24 budget was assessed based on audited 2023 figures and our general commercial and sector experience;

• Review of the Company's assessment of the risks relating to climate change and assessment of potential impacts on the Groups financial position and forecasts; and

• Review of the latest available Own Risk and Solvency Assessment ('ORSA') return to check compliance with regulatory solvency requirements. This included checking that stress testing was performed and consideration of the results of the stress testing as documented in the ORSA return.

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 at least twelve months from when the Solvency and 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We designed procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

• Holding discussions with management and the audit committee to consider any known or suspected instances of non-compliance with laws and regulations or fraud identified by them;

• Gaining an understanding of the legal and regulatory framework applicable to the Company and the industry in which they operate, through discussion with management and the audit committee and our knowledge of the industry;

• Considering the significant laws and regulations of Ireland to be those relating to the industry, financial reporting framework and tax legislation.

• Inspecting minutes from board meetings of those charges with governance to identify any instances of non-compliance with laws and regulations or any known or suspected instances of fraud;

• Inspecting of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;

• Assessing the susceptibility of the Company's SFCR to material misstatement, including how fraud might occur by making inquiries of Management and the Audit Committee during the planning and execution phases of our audit to understand where they considered there to be susceptibility to fraud, considering the risk of management override of controls and relevant controls established to address risks identified to prevent or detect fraud;

• In response to the risk of management override of controls, assessed the appropriateness of journal entries which met a specific defined criteria by agreeing to supporting documentation, utilising our internal software to aid in the identification of journals meeting our criteria;

• Performing a detailed review of the Company's year-end adjusting entries and investigating any that appear unusual as to nature or amount and agreeing to supporting documentation;

• Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;

• Agreement of the disclosures to underlying supporting documentation;

• Assessed the susceptibility of the SFCR to material misstatement including fraud and identified the fraud risk areas to be the valuations (refer to the key audit matters section above) and management override of controls;

• Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;

• Review of correspondence with the PRA and FCA;

• Review of the Groups Own Risk and Solvency Assessment for indications of any current or future issues in relation to external capital requirements and consequential breaches of laws and regulations; and

• We also communicated relevant identified laws and regulations and identified fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Other Information

The Directors are responsible for the other Information.

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

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

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.

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, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the 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.

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

Report on Other Legal and Regulatory Requirements.

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Fairmead Insurance Limited'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.

BDO LLP

55 Baker Street

London

W1U 8EW

26 May 2023

Appendix – Relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo standard formula

The relevant elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'

Executive Summary

The Directors present the Solvency Financial Condition Report ("SFCR") for NorthStandard Limited ("NorthStandard" or "the Company"), based on the financial position as at 20 February 2023.

Regulatory Requirement

The Company's headquarters are in the United Kingdom. Within the United Kingdom, the company is authorised by the Prudential Regulation Authority (PRA) and dual regulated by the PRA and the Financial Conduct Authority (FCA). Both the PRA and the FCA operate a risk-based approach to supervision, which places emphasis on the need for regulated firms to have in place robust risk management frameworks. The PRA's general objective is to promote the safety and soundness of the firms it regulates and is the company's lead regulator. The FCA is the company's conduct regulator.

NorthStandard is required to produce a Solvency & Financial Condition Report (SFCR) by the PRA Rulebook, SII Firms/Reporting/Parts 3 to 6.

Contact details for the PRA and the FCA can be found on their respective websites:

www.bankofengland.co.uk/pra

www.fca.org.uk

The Company's external auditor is

BDO LLP
55 Baker Street
London
W1U 7EU

Policy

The Company is required by Part 6.1 of the Reporting Rules to have appropriate systems and structures in place to fulfil the requirements for the SFCR and a written policy in place to ensure the appropriateness of the information enclosed.

The Company maintains a Group Reporting and Public Disclosure Policy which captures the SFCR. This is reviewed annually and was last approved in April 2023.

Review of 2022/23

NorthStandard declared a general premium increase of 15% for the 2022 policy year, of which 7.5% was directly attributable to the costs of meeting the escalating value of International Group pool costs. This increase, together with a small increase in entered tonnage and an increase in the cost of International Group reinsurance passed onto Members, saw Mutual premiums increase from US$172.2 million to US$202.7 million. Premium income for the diversified business lines reduced from US$76.5 million to US$60.4 million given the combined effects of exchange rate movements, reducing the US Dollar value of premiums written in other currencies, predominantly Sterling, Australian Dollars and New Zealand Dollars, and a strategic pause in the underwriting of Aquaculture business.

The cost of claims in a year tends to be driven by our experience of large claims (those over US$1 million) on the most recent policy year. At the twelve-month development stage of the 2022/23 policy year the Company has experienced fewer large claims than at the same stage of the 2021/22 policy year. In addition, an increase in the frequency and severity of Covid-19 related crew claims in the prior year has not been repeated in the current year. The prior financial year was also characterised by a very high level of activity on the International Group pool. As at 20 February 2023, the pool claim activity for the 2022/23 policy year has reduced significantly in both number and value of claims compared to 2021/2022, and no pool claims have been reported by the Members of the Company. This positive current policy year experience has been somewhat offset by deteriorations on prior policy years in the current financial year. Overall, gross claims incurred have reduced from US$226.9 million to US$139.7 million, with net claims reducing from US$23.9 million to US$11.2 million.

Total operating expenses before reinsurance commissions have increased from US$45.3 million to US$54.1 million. The increase is largely accounted for by amortisation and impairment charges of US$10.1 million against intangible assets as a result of the go-live of a software development project in the year. Reinsurance commissions have decreased from US$59.7 million to US$49.5 million.

The total investment return, net of expenses and charges, was a loss of US$1.7 million compared to a loss of US$5.6 million in the prior year. The Company suffered a loss on foreign exchange of US$11.1 million in the year (2022: US$1.6 million).

Overall, the Company recorded a deficit after tax of US$20.5 million compared to a surplus after tax of US$4.8 million in the prior year.

Immediately following the year end, the Company merged with The Standard Club Limited to form the NorthStandard Group. The merger was concluded by the Company becoming the sole member of The Standard Club Limited. The Company changed its name to NorthStandard Limited from The North of England P&I Association Limited with effect from 20 February 2023.

A Business and Performance (Unaudited)

A.1 Business

Principal Activities

The principal activities of the Company are the insurance and reinsurance of marine P&I, FD&D and War Risks on behalf of Members. The company also underwrites Hull, P&I, Personal Accident and Aquaculture business for its policyholders.

Strategy

Following the completion of the merger with The Standard Club Limited immediately following the end of the financial year, the Company's strategy statements, strategic objectives and key performance indicators ('KPIs') are all subject to review by the Board of Directors. An assessment of performance in the year requires reference to the expiring strategic objectives and key performance indicators, which is provided below.

NorthStandard's purpose is to enable our Members and Clients to trade with confidence, and NorthStandard's vision statement is to be the global marine insurer of choice. The Directors have developed four strategic goals to further the vision as follows:

- Increase our mutual and diversified income
- Be a leader in all our key service and product areas
- Build our financial strength and standing in the International Group
- Empower our people to develop and connect responsibly with our communities and the environment.

Key Performance Indicators ("KPIs") have been identified against which management report to the Board on a regular basis to monitor the achievement of these strategic goals.

Business Performance

NorthStandard's key financial and other performance indicators were as follows:

	2023 US$M	2022 US$M
Gross written premiums	263.1	249.2
(Deficit)/surplus after tax	(20.5)	4.8
Free reserves (total capital and reserves)	284.1	302.9

A.2 Underwriting Performance

Written premium increased to US$263.1 million compared to US$249.2 million in the prior year.

Premium written by business segment is as follows:

	2023 US$M	**2022 US$M**
P & I	190.5	159.9
FD & D	10.2	11.6
War	2.0	1.2
Diversified	60.4	76.5
	263.1	**249.2**

NorthStandard declared a general premium increase of 15% for the 2022 policy year, of which 7.5% was directly attributable to the costs of meeting the escalating value of International Group pool costs. This increase, together with a small increase in entered tonnage and an increase in the cost of International Group reinsurance passed onto Members, saw Mutual premiums increase from US$172.2 million to US$202.7 million. Premium income for the diversified business lines reduced from US$76.5 million to US$60.4 million given the combined effects of exchange rate movements, reducing the US Dollar value of premiums written in other currencies, predominantly Sterling, Australian Dollars and New Zealand Dollars, and a strategic pause in the underwriting of Aquaculture business.

The cost of claims in a year tends to be driven by our experience of large claims (those over US$1 million) on the most recent policy year. At the twelve-month development stage of the 2022/23 policy year the Company has experienced fewer large claims than at the same stage of the 2021/22 policy year. In addition, an increase in the frequency and severity of Covid-19 related crew claims in the prior year has not been repeated in the current year. The prior financial year was also characterised by a very high level of activity on the International Group pool. As at 20 February 2023, the pool claim activity for the 2022/23 policy year has reduced significantly in both number and value of claims compared to 2021/2022, and no pool claims have been reported by the Members of the Company. This positive current policy year experience has been somewhat offset by deteriorations on prior policy years in the current financial year. Overall, gross claims incurred have reduced from US$226.9 million to US$139.7 million, with net claims reducing from US$23.9 million to US$11.2 million.

A.3 Investment Performance

The company's investment assets resulted in a loss of US$1.7 million in the year. The portfolio remains invested in highly liquid government and investment grade corporate securities. The Company has derivative contracts in place are designed to increase stability for the Group where the majority of income is in US Dollars but a large proportion of administrative expenses, including staff costs, are incurred in Sterling.

A.4 Performance of Other Activities

The movement in the valuation of the defined benefit pension schemes sponsored by the Company for the benefit of group employees is included in the Company's performance for the year. Gains amounting to US$1.4 million have been recognised in the year (2022 – gain of US$26.0 million).

The capital and reserves reduced from US$302.9 million at 20 February 2022 to US$284.1 million at 20 February 2023.

A.5 Any Other Information

Immediately following the year end, the Company merged with The Standard Club Limited to form the NorthStandard Group. The merger was concluded by the Company becoming the sole member of The Standard Club Limited, and the former members of The Standard Club Limited becoming members of the Company. The Company changed its name to NorthStandard Limited with effect from 20 February 2023.

Accounting for the merger, including the fair value of assets and liabilities assumed and consequential negative goodwill, has not been finalised at the date of issue of this Solvency and Financial Condition Report. The impact on the financial position and future performance of the Company and the Group it heads as a result of the merger is expected to be significant, with a significant increase in the Group's capital and reserves and gross written premiums with effect from 20 February 2023.

The conclusion of the merger does not result in the adjustment to any amounts recognised in the Solvency and Financial Condition Report subsequent to the balance sheet date.

B System of Governance (Unaudited)

B.1 General Information

The Directors are collectively responsible for the long-term success of the Company, setting the strategic aims and ensuring that obligations to Members and others are understood and met.

The Board of Directors is responsible for directing the affairs of the Company in compliance with statutory and regulatory requirements. The Board consists of between seven and nine Member Directors, up to two Executive Directors and up to five Independent Directors. The Directors have a Nominations and Remuneration Committee, which evaluates the performance of the Directors, proposes new Directors, and determines the Group Remuneration Policy including the policy for remuneration of the Company's Executive and Non-Executive Directors and senior managers.

The Members Board provides a forum for Members to play an enhanced role in the governance of the Group. It has separate committees to consider matters relating to the P&I Class and FD&D Class and an Elections Committee which considers appointments to the Members Board.

The Members Board has the power to nominate Directors. Any Director so appointed may serve until the next annual general meeting, when they must retire and may offer themselves for reappointment by the Members.

The system of governance adopted is considered appropriate for the nature, scale and complexity of the risks inherent in the business.

B.2 Fit and Proper Requirements

The Company has a policy which is owned by the Nominations and Remuneration Committee and is reviewed annually. The policy requires that prior to approving the appointment of any candidate as a Responsible Person, the Board of Directors must take appropriate steps to ensure that the candidate is fit and proper to perform the relevant role or function. This assessment includes, but is not limited to, confirmation that the candidate:

- Has the appropriate personal characteristics;
- Possesses the required level of competence, knowledge and experience;
- Has the relevant qualifications; and
- Has undergone or is undergoing all training required to perform the role or function effectively and in accordance with all relevant requirements.

The policy also sets out that the Board of Directors must review and confirm annually whether the Responsible Persons meet, and continue to meet, the applicable requirements.

The goals pursued by this policy are to:

- Ensure that Group undertakings comply with all applicable laws, regulations and prudential standards ("Requirements") relating to the fitness and propriety of persons who effectively run and/or perform a key or designated function for that undertaking ("Responsible Persons");
- Clearly describe the procedure for assessing the fitness and propriety of Responsible Persons, both when being considered for the specific position and on an on-going basis;
- Clearly describe the situations that give rise to a re-assessment of applicable Requirements:
- Clearly describe the Group's procedure and internal standards for assessing the skills,

knowledge, expertise and personal integrity of other relevant personnel not subject to Requirements, both when being considered for the specific position and on an on-going basis.

The Chief Compliance Officer is responsible for monitoring all Requirements on an on-going basis to identify any matters which necessitate the Requirements to be reassessed and updates the NorthStandard Company Secretary as appropriate. The Requirements shall be reassessed in the event of the following:

- Any change or proposed change to the relevant laws, regulations and prudential standards in any jurisdiction where any Group undertaking conducts business;
- A Group undertaking commencing or proposing to conduct business in any jurisdiction where it does not currently do so.

This policy is reviewed on an annual basis by the NorthStamdard Company Secretary and upon notification of any change or proposed change noted above.

Approved Persons

NorthStandard maintains a Management Responsibilities Map (Appendix 1), setting out details of all individuals approved or authorised to undertake senior management, controlled or certification functions. This map includes the regulatory structure of the Group and identifies the reporting lines applicable to all approved persons.

B.3 Risk Management System including the Own Risk and Solvency Assessment (ORSA)

Risk Culture

The Company's aim is to embed a strong culture of risk management at all levels within the organisation, so that all members of staff understand their role and its relationship to risk management. The Risk and Compliance department engages throughout the business to ensure that the risk management and ORSA framework are understood at all levels.

Board Oversight of Risk Management

The Board is responsible for setting strategy – including target capital coverage – and for establishing risk appetite which is expressed in the Board's risk appetite statements. The Board is also responsible for putting in place systems of governance around risk management and has ownership of the ORSA framework and documentation.

Group Risk Committee

The Board has established a Group Risk Committee ("GRC") to which it has delegated key responsibilities within the ORSA framework. The scope of the GRC's responsibilities is group-wide and includes the following key areas:

Governance: Oversee the integration of risk management across the Group and ensure the framework is aligned with its strategic objectives. Review the risk management framework including its documentation and related policies and procedures.

Regulatory: Review the Group's regulatory position, the outcome from regulatory assessments, regulatory breaches and mitigating actions or responses.

Risk appetite: Review and make recommendations in respect of risk appetite.

Risk policies: Review the Group's risk policies and policies in respect of compliance with legal obligations.

Risk identification, measurement, control and reporting: Oversee the production and maintenance of risk registers and assess the appropriateness of risk management controls including controls over illegal acts. Set appropriate risk indicators, monitor and review risk reporting against risk indicators and review mitigating actions for reporting exceptions. Review risk profiles against the Board's risk appetite.

Investment risk: Oversight of investment risk including compliance with the Board's agreed appetite for investment risk and ensuring that investment management and decisions are within the framework agreed by the Board for managing investment risk including market and counterparty risks.

Capital management: Review the method of assessment of capital requirements and the outputs of those processes.

Stress tests and reverse stress tests: Review stress tests and reverse stress tests and assess their adequacy and effectiveness in testing the robustness of the Group's business model.

ORSA assessment: Review ORSA documentation, assess its adequacy and effectiveness in capturing the ORSA system and its outputs and assess its compliance with regulatory requirements.

Enterprise Risk Management Committee

To ensure sound risk management principles and practices are embedded within the business, management have formed an Enterprise Risk Management committee ("ERM committee"). This committee meets at least three times each year and its responsibilities broadly follow those of the GRC but at a more granular management level. This committee is chaired by the Chief Risk Officer ("CRO").

Reserving Committee

Management have formed a Reserving Committee with a specific remit to review and approve the technical provisions included in the financial statements of the Company each year. It is also responsible for reviewing the methodology and assumptions adopted in the calculation of the Solvency II technical provisions and monitoring the Company's response to any findings and recommendations made by the Group Chief Actuary. The Reserving Committee is chaired by the Corporate Actuary and attended by senior underwriting, claims, finance and risk staff.

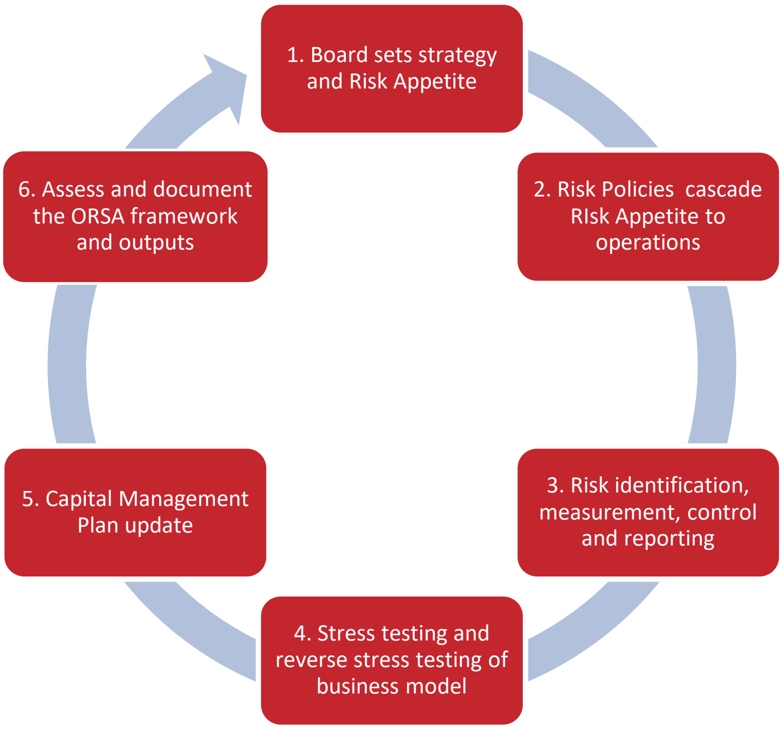
Investment Committee

The Board has formed an Investment Committee, the principal role and duties of which are to:

i) review the investment strategy of the Company against the risk appetite and risk framework approved by the Directors;
ii) monitor investments and their performance against benchmark as appropriate;
iii) review and monitor the performance of investment managers and advisors, and make recommendations as to their appointment; and
iv) ascertain the outlook for key investment markets.

Risk Management Framework

The risk management framework has been developed over several years and is summarised below. The process operates as a feedback loop and reflects the requirement to reconsider strategy and risk appetite in view of risk assessment, results and capital requirements. Each step in the cycle may be iterative and may be revisited as a result of the outputs of subsequent steps.



The core elements of the steps above are as follows:

Core Element	Description
Board sets strategy and risk appetite	Quantitative parameters set for each primary category of risk – underwriting, market and operational. A total risk limit set as an absolute amount at a 1 in 20 year probability. Target capital coverage established as a range by reference to the overall risk limit.
Risk policies cascade risk appetite to operations	Set out the operational response to the Board's risk appetite for risk within underwriting, reinsurance, investment, operations and capital management. Establish documentary link between risk appetite and operational processes and procedures. Separate policies to support other areas of internal governance covering internal audit, valuation of assets and liabilities, remuneration and outsourcing.
Risk identification, measurement, control and reporting	**Risk register** Central repositories for all risks identified by the company. Constructed on the basis of "key" risks comprising of sub-risks and risk components. Responsibility for the oversight of each key risk is assigned to an individual risk owner.

	Key controls identified for all risks with the accepted risk treatment (prevent, mitigate or accept). **Emerging risk protocol** Process for risk identification by anybody within the organisation. Assessment of potential impact, mitigation in place or required and changes required to the risk register. **Risk tolerance and risk indicators** Risk indicators are assigned to each risk and sub-components as agreed with risk owners. Risk owners report quarterly on their risk indicators to the ERM Committee and the Group Risk Committee. **Risk profile** Calculation performed independently of risk owners to provide segregation in the process. Variety of actuarial (statistical or mathematical) and practical techniques employed. Correlation applied between risks and risk categories to reach overall assessment. Assessment at a 1 in 20-year probability represents the position against the Board's stated risk appetite.
Stress testing and reverse stress testing of business model	A combination of adverse scenarios identified by the Risk function, the Board or the GRC and those set by regulators are assessed. Stress tests assess the impact of adverse scenarios on the company's business model. Reverse stress tests ascertain the circumstance which could cause the Company's business model to fail.
Capital management plan update	Performed for each separate business unit on a commercial basis and for each relevant jurisdiction on a regulatory basis. Outputs are forecast free reserves, regulatory capital (own funds or local equivalents), minimum and solvency capital requirements (or local equivalents) and rating agency capital calculations.
Assess and document the ORSA framework and outputs	Brings together the above features to assess the Company's risk and solvency position against its key strategic goals.

Own Risk and Solvency Assessment ("ORSA")

The Company has in place an ORSA policy. The purpose of this policy is to set out the processes and methodologies for carrying out the ORSA.

Each ORSA process takes place as part of the group's annual strategic and capital management cycle. Overall responsibility for oversight of the process rests with the CRO. Final review, approval and sign-off is undertaken by the ERM committee, the GRC and the Board itself.

The numeric element of the ORSA process begins its cycle following the Board's approval of the updated business plan in November, with an updated ORSA report presented to the February Board meeting.

The ORSA process assesses the Group's and Company's 5-year business plan.

B.4 Internal Control System

The Company has a robust system of internal controls which is designed to provide reasonable assurance that its financial reporting is reliable, it is compliant with applicable laws and regulations and its operations are effectively controlled. The Directors are ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. In practice, the oversight and management of these systems necessarily involves Board committees, members of senior management and the risk, finance and compliance teams.

Internal controls are documented in the Company's policies and procedure manuals, covering all applicable regulatory requirements and core areas of operation. They are also summarised in the risk register, which ensures they are appropriate for use in managing the risks faced by the company to within the documented risk appetite.

The key elements of the company's internal control framework are:

Corporate governance: sets out how people and committees are organised and managed to support strategic and operational objectives.

Planning and budget process: supports the implementation and monitoring of corporate strategy.

Risk management: facilitates the identification, assessment, mitigation and reporting of risk.

Compliance: monitors compliance with legal and regulatory requirements, identifies and monitors the control of legal and regulatory risks.

Control policies and processes: govern the management and oversight of key risks.

Information and communication: used to assess whether the components of control are present and functioning, identifies control deficiencies to those responsible for taking corrective action.

Assurance: reporting on the effectiveness of internal controls.

Risk and Compliance Functions

The CRO leads the Risk and Compliance Department and formally reports to the GRC at least three times each year. The CRO has a direct and independent line of contact to the GRC at any time.

Key activities undertaken by the Group's Risk and Compliance functions are summarised as follows:

Identifying & Assessing	• Assess relevant risks and controls • Determine applicable requirements • Make initial assessment of risk valuation and identify risk limits
Monitoring & testing	• Monitor policies and procedures and compliance with them • Liaising with other internal control functions to ensure co-ordinated approach • Monitoring of risk valuations and risk indicators compared to set limits • Stress testing and risk scenario analysis
Advising (Including Regulatory)	• Provision of relevant advice and training • Interaction with worldwide regulators • Proposals for risk appetite and tolerance limits
Reporting	• Reporting on activities to relevant Board committees and, ultimately, the Board.

B.5 Internal Audit Function (Outsourced)

The Group outsources its Internal Audit function to PwC. The relationship is governed by a detailed engagement letter, charter and plan. The scope of the internal audit programme is to determine whether the Group's risk management, control and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure that:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, management and operating information is accurate, reliable and timely;
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- Resources are acquired economically, used efficiently and adequately protected;
- Programs, plans and objectives are achieved;
- Quality and continuous improvement are fostered in the Group's control process;
- Significant legislative or regulatory issues impacting the Group are recognised and addressed properly; and
- Consistency of standards and approach across the various elements and companies within the Group.

In addition, the Internal Audit function can be asked by the business, the second line of defence or the Board to carry out specific one-off tasks where its knowledge and expertise can be utilised without compromising its independence. All internal audit work results, including one-off tasks, are reported to the Group Audit Committee.

Independence and objectivity from the activities that Internal Audit reviews is achieved by ensuring that:

- There is a direct line of reporting to the Group Audit Committee;
- All internal audit activities are free of influence from anyone in the organisation, including matters of audit selection, scope, procedures, frequency, timing or report content;
- Members of the Internal Audit function are able to meet with the Group Audit Committee on request of the Board or Group Audit Committee;
- The function has the necessary skills and resources required to deliver the internal audit plan;
- Internal Audit has the authority to audit all parts of the business; and
- Internal Audit has full and complete access to all information, records, facilities and personnel relevant to the performance of an audit.

B.6 Actuarial Function (Outsourced)

The Actuarial Function is outsourced to ensure appropriate levels of technical resource and expertise are always available to the Group. The Actuarial Function is outsourced to Lane Clark & Peacock.

The outsourcing provider provides a Chief Actuary, as defined by PRA rules. This appointment is approved by the Board and subject to review, on an on-going basis, in accordance with the Group's policy and procedures concerning the fitness and propriety of regulated function holders.

The Actuarial Function is independent of other functions and is constituted by individuals who have a sufficient level of independence from the Group's senior management team. The Actuarial Function is appointed by, and reports to, the GRC.

The key areas of responsibility for the Actuarial Function include:

Technical provisions: Co-ordinating the calculation, ensuring the appropriateness of methods, assumptions, data and models used, and informing the Board of the reliability and adequacy of the calculation.

Expressing an opinion on the overall underwriting policy: This includes an assessment of the sufficiency of premiums, underwriting policies and processes, profitability and volatility within underwriting and pricing models.

Expressing an opinion on the adequacy of reinsurance arrangements: This includes an assessment of the reinsurance programme and security, evaluation of alternative reinsurance programmes, calculation of reinsurance recoveries in technical provisions and the ORSA and reinsurance policies.

Contribution to risk management: with particular focus on the appropriateness of risk modelling underlying the calculation of capital requirements and the ORSA.

The Actuarial Function is required to report on its findings in each of the four areas above as a minimum, on an annual basis. The component reports are produced for each of these areas at the time that the analysis is completed. These component reports are then combined into an annual aggregate report which includes comments on the Actuarial Function's contribution to the company's risk management system.

B.7 Outsourcing Arrangements

The Company outsources certain functions and activities to take advantage of economies of scale and external expertise. The actuarial and internal audit functions represent the most significant activities which are outsourced to external providers, as described above.

The Company has adopted an Outsourcing Policy which establishes a prudent risk management framework in relation to the management of outsourced arrangements and ensures compliance with relevant regulatory requirements. The Policy covers the entire outsourcing lifecycle, from identifying the need for outsourcing through relationship management and oversight, including performance measurement and reporting, and provides processes to effectively manage the risks associated with outsourcing relationships.

B.8 Any other Information

Following the merger of North and Standard clubs some changes to the Group's system of governance for the combined organisation have taken effect after the SFCR reporting date. The governance structure remains largely the same however the composition of the Board and Board sub-Committees has changed to support the integration and ensure representation from both organisations.

The existing risk management frameworks and internal control systems are similar within both clubs and as part of the integration, work will be undertaken to align the frameworks and ensure consistency of approach across the combined organisation. No material changes to the risk management frameworks and internal control systems as described above are expected.

C Risk Profile (Unaudited)

Overview

The Company operates a low risk business model that is supported by a robust risk management framework which ensures risks are well understood and controlled. Policies and procedures are in place to ensure risks are managed within the Board’s risk appetite.

A breakdown of the valuation of risks within the SCR is included within section E2.

Risk Profile Drivers and Measures

An overview of the principal risks associated with the Company’s business including an outline of how each is managed follows. Risks are recorded in the risk register and are allocated to risk categories which are aligned to the Board’s risk appetite statements. For internal risk valuation purposes, risks are valued across a range of probabilities by combining both actuarial and practical techniques. Our risk profile is calculated by our stochastic capital model, providing a consistent presentation of the possible deviation from business plan expectation for all risks and business entities. Meetings with risk owners take place to discuss the valuation of their risks.

For premium risk, we calculate model parameters based on our own claims history to set claims value and volatility expectations. Resulting parameters are incorporated in our stochastic capital model alongside our current reinsurance programme to calculate the range of future net claims (after reinsurance).

The modelling of reserving risk is based on our own claims history and takes into account our reinsurance programme.

Market risk for investment assets (including pension scheme assets) is provided by our investment advisors through an economic scenario generator (ESG). This information feeds directly into our stochastic capital model.

Some risks facing the Company are not quantifiable using statistical or mathematical techniques. These risks are considered individually to assess their possible risk valuations across a range of likelihoods.

At each selected probability point (e.g. a likelihood of one in twenty years), the relevant individual risks within each risk category (underwriting, market and operational) are correlated to provide values against the risk appetite statements. These figures are further correlated between risk categories to provide an overall value to compare to the risk limit shown in the statement of Board risk appetite.

Stress and Scenario Testing

The stress and scenario framework is an important part of the Company's risk management framework and is applied to a range of business processes to assist management and the Board in understanding the potential vulnerabilities within the business model and business plans. This approach is overseen by the GRC and is designed to provide qualitative and quantitative information on the implications arising from specific adverse scenarios, including any mitigating actions available.

There are three main elements to the stress and scenario framework:

Sensitivity testing involves looking at the impact on the company's business model of changing a business plan assumption.

Stress and scenario testing involves changing a number of business plan assumptions at once to reflect a stressed but plausible economic or business scenario.

Reverse stress testing involves consideration of scenarios which could render the company's current business model unviable.

C.1 Underwriting Risk

The Company issues contracts that transfer insurance risk.

The principal risk the Company faces under insurance contracts is that actual claims payments or the timing thereof, differ from expectations. This risk is influenced by pricing, the frequency of claims, severity of claims and the subsequent development of long-tail claims or latent claims.

In addition, the Company faces the risk of a catastrophic loss event, where the likelihood of the claim occurring is classified as extremely remote. This equates to a claim with a 1 in 200-year chance of occurring.

North's underwriting strategy is to seek a diverse and balanced portfolio of risks to limit the variability in outcomes. Business is spread across geographical regions and vessel types and sizes. Underwriters calculate premiums for each risk written on a range of criteria, including (but not limited to) financial exposure, loss record, risk characteristics, limits and deductibles. The Company also recognises that insurance events are random by nature and that the actual number and size of events may vary from those estimated using established statistical techniques.

The objective of the company is to ensure that risks are mitigated to a level within the statement of risk appetite approved by the Board. To achieve this, the controls operated by the company include:

- Comprehensive reinsurance programme covering both vertical risk (one claim of a very high individual value) and horizontal risk (where many claims accumulate to a high value);
- Experienced underwriters operating to detailed procedural guidance, established authority limits and appropriate management review;
- Regular review of claims reserves, both for individual claims and in the aggregate;
- Monitoring of the claims environment to ensure that changes which could influence the future valuation of claims are recorded and accounted for; and
- Setting of overall technical provisions at a prudent percentile of confidence in accordance with the reserving policy approved by the Group Audit Committee and the Board.

Each of these mitigation techniques is monitored regularly to ensure that there have been no changes within the book of business or the insurance market which would render them ineffective or significantly less effective. In addition, regular monitoring of compliance with internal controls takes place to ensure their continuous effectiveness.

Given the wide spread of business there are no material underwriting risk concentrations for North.

C.2 Market Risk

Market risk is the risk that the value of the Company's assets, liabilities or income from its assets may fluctuate due to market movements. Sources of general market risk include movements in interest rates (interest rate risk), exchange rates (currency risk) and asset prices (price risk) – all are further detailed below. It is important to note that none of these sources of risk is independent of the others.

The guiding principle for North's investment risk management, including market risk, credit risk and liquidity risk, is the Prudent Person Principle (as articulated in the Solvency II Directive applicable in the UK). In particular:

- Investment risks have been confirmed as 'ancillary' to those associated with the writing of insurance business, and defined as such within the Board's risk appetite;
- Some investment activities are outsourced to expert managers and advisers, although the GRC remains responsible for the investment risk undertaken by the company;
- Investment parameters specify detailed quantitative restrictions for all mandates; and
- The use of derivatives is strictly controlled and monitored.

Market risk is managed by adjusting the allocation to asset classes to reflect the investment risk appetite approved by the directors. The concentration of investments into any one asset is also restricted. The asset class allocation seeks to match assets against the company's technical provisions by currency and maturity. In addition, the company ensures minimal risk is taken with committed regulatory capital.

Monitoring of the risk position compared to risk appetite takes place regularly using information from investment managers and custodians, specific value at risk models and economic scenario generators. Risk concentrations are captured using the 'look through' facilities within these models.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of assets and liabilities will fluctuate because of changes in foreign exchange rates. The Company operates internationally and its exposures to foreign exchange risk arise primarily with respect to the US Dollar and Sterling but also Euro and other global currencies. The asset allocation policy applied to the investment portfolio contains provisions for matching of assets and liabilities by currency to mitigate exposure to currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises primarily from the nature and term of investments held and is managed through the buying and selling of appropriate fixed interest securities of different durations.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to price risk on its holdings in debt securities.

The Company manages its exposure to price risk by setting constraints on its investments and by limiting its investments in each country, sector and market. Market valuations are obtained both from investment managers and custodians on a regular basis.

C.3 Credit Risk

Credit risk is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. This risk arises principally on the company's financial assets, including investments, reinsurance recoveries and premium receivables.

Investment related credit risk is managed through the Board-approved investment guidelines issued to the investment managers. The guidelines impose strict diversification limits by credit rating, maturity and per issuer.

Non-investment related credit risk is managed through monitoring of overdue receivables from policyholders on a regular basis, and by the requirement for all reinsurers providing security on the company's reinsurance programme to comply with a minimum rating requirement.

The most significant concentration of credit risk lies within the reinsurance recoveries, those from one reinsurer (NorthStandard Re) which has been established by the members of NorthStandard but does not form part of the Group. NorthStandard Re is rated 'A' by Standard and Poor's and the risk to the Company is viewed as negligible in all but the most extreme circumstances.

C.4 Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Liquidity risk is managed in accordance with the Group's Liquidity Policy by maintaining adequate reserves and banking facilities and ensuring that the spread of investments across short, medium- and long-term funds will enable any short term funding requirements to be met.

Liquidity is continuously monitored by review of actual and forecast cash flows and the company has negligible liquidity risk in normal business circumstances. Premiums are received well in advance of liabilities and most assets are traded in extremely liquid markets so that funds are available from the sale of these without material discount in all but the most extreme cases.

The liquidity position is monitored under stressed scenarios which include major claim events and reductions in market liquidity. A detailed analysis of the maturity profile of financial instruments at the reporting date is included within the financial statements.

C.5 Operational Risk

The Company is exposed to operational risk, defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In particular, this includes the risk of business disruption, of compliance or regulatory breaches, or of poor service delivery, any of which could result in damage to the company's reputation and reduce its ability to meet its stated objectives.

Primary responsibility for the development and implementation of controls to address operational risks rests with senior management. The main operational risks identified relate to compliance with legal and regulatory requirements and those related to business continuity and provision of IT services, including information security. These risks are separately identified within the risk register. There is no specific concentration of risk in this category.

Operational risk controls are many and varied given the wide range of possible causes, including controls in the following areas:

- Regular review of service delivery standards and prompt investigation of potential shortfalls in service delivery;
- Dedicated risk and compliance department with access to appropriate professional advice;
- Detailed business continuity planning and regular testing of recovery plans;
- Information security assessments including cyber risks, detailed gap analysis, and roll out of updated procedures and policies;
- Dedicated human resources department ensuring appropriate monitoring of recruitment and performance of staff members;
- Monitoring of monthly financial results and comparison of results to budget and forecast; and
- Regular monitoring of and interaction with all branches and subsidiaries.

C.6 Other Material Risks

Pension Risk

The Company operates defined benefit pension schemes and is accordingly exposed to changes in the valuation of scheme assets and liabilities. These schemes are closed to the future accrual of benefits. Full details of the schemes and their valuation at the balance sheet date can be found in the financial statements.

Whilst the management of the schemes' assets and the risks of the schemes are the responsibility of the trustees, the risk to the company is managed through the regular monitoring of the asset valuation and the key economic indicators which influence the valuation.

C.7 Any other Information

Ukraine

The war in Ukraine presents a number of risks for the NorthStandard Group and to achieving its strategic objectives. A direct impact was felt this year through having to part company with a Member shortly after renewal due to trade sanctions. Whilst other direct impacts have been limited, the greater areas of risk have come in relation to the sanction's environment and more recently the oil price cap which has generated complexity for Members and the NorthStandard Group.

NorthStandard Merger

The merger between North and Standard Club's took place on the 20 February 2023 so there was no change on the risk profile for the year ended 2023 although it is noted that there were some short-term strategic risks linked to the merger activity that have dissipated following completion.

Looking forward it is noted that the risk profiles and risk-taking attitudes of the two clubs are similar and no significant changes to the nature of risk exposures is expected with the quantum of risk exposures moving proportionally in line with the increased size of the business. Pending the development of a combined capital model, quantification of risk will continue to be undertaken using each club's capital model with an aggregation model used to combine these.

Integration activity is likely to generate some additional operational risk in the short-term but this will be managed through a dedicated IMO and project management team.

D Valuation for Solvency Purposes (Audited)

D.1 Assets

Assets are recognised and measured for Solvency II purposes consistently with the UK GAAP financial statements. Solvency II asset valuations also follow the UK GAAP financial statements where those financial statements provide a market consistent valuation. The main areas where the financial statements do not provide a market consistent valuation are:

- Investments – related undertakings including participations;
- Intangible assets; and
- Reinsurance recoverables.

The following table sets out the value of the company's assets at 20 February 2023 and 20 February 2022:

	20 February 2023		20 February 2022	
	UK GAAP Assets US$M	**Solvency II Assets US$M**	**UK GAAP Assets US$M**	**Solvency II Assets US$M**
Investments – related undertakings including participations	104.8	58.0	114.2	73.5
Investments - other	63.2	147.8	71.1	141.2
Intangible assets	9.0	-	19.2	-
Reinsurance recoverables	750.3	611.3	853.1	778.8
Receivables	61.9	32.7	91.7	40.2
Deposits, Cash and cash equivalents	99.3	73.7	96.5	66.6
Other assets	23.8	19.2	24.4	20.5
Total Assets	**1,112.3**	**942.7**	**1,270.2**	**1,120.8**

The company's assets are recognised and valued using the following principles:

Investments – Related Undertakings including Participations

Investments in related undertakings including participations relates predominantly to investments in the insurance subsidiary company North of England P&I DAC ("North EU"), and, in the UK GAAP balance sheet only, the Hydra NorthStandard Cell ("the Cell") (see Appendix 2).

The investment in North EU is valued at the excess of its assets over its liabilities, calculated on a Solvency II consistent basis (US$56.0 million; 2022 – US$61.5 million). The adjustments to the insurance subsidiary asset and liability valuations are similar in nature to those made for NorthStandard.

The Cell is included as an investment in related undertakings including participations on the UK GAAP balance sheet but is shown as investments – other in the Solvency II balance sheet.

Investments in non-insurance participations are valued using an adjusted equity method (US$2.0 million; 2022 – US$4.9 million).

Investments - Other

This includes the Company's financial investments and, in the Solvency II balance sheet only, the investment in the Cell.

All of the Company's financial investments are traded on mainstream exchanges and included in the financial statements at fair value, which is consistent with Solvency II valuation requirements. Fair value is determined based on published quotes in an active market. A market is regarded as active if quoted prices are readily available from a broker, dealer, exchange, pricing service, industry group or regulatory agency. Amounts held in a money market fund are included as cash and cash equivalents on the UK GAAP balance sheet, but within investments in collective investments undertakings on the Solvency II balance sheet (US$29.1 million).

The investment in the Cell is part of the mechanism through which NorthStandard participates in the International Group pooling agreement, with the Cell reinsuring part of NorthStandard's claims incurred from that participation. The investment is valued using a current replacement cost approach which is an alternative valuation method as set out in the Solvency II regulations. This approach assumes that the service capacity of the asset can be measured as the amount of capital required to establish an alternative asset that could provide an equivalent amount of reinsurance security as the Cell currently provides to NorthStandard. The valuation is therefore based on the excess of the assets of the Cell over its liabilities, both measured on a Solvency II basis (US$55.4 million; 2022- US$40.2 million). Note that as the investment in the Cell is a restricted asset (see section E.1 Own Funds), the solvency coverage of the Company is not sensitive to changes in the valuation of the investment.

Intangible Assets

The intangible assets held by the company do not meet the criteria to be included as an asset for Solvency II purposes and therefore no value is attributable to them.

Reinsurance Recoverables

In the Solvency II balance sheet reinsurance recoverables are valued as part of the net technical provisions (see D.2 Technical Provisions). Reinsurance recoverables represent amounts receivable from external reinsurers under the company's reinsurance programme. The programme consists of excess of loss, stop loss and quota share reinsurance arrangements. In addition, the company participates in the International Group pooling arrangement, including market reinsurance bought by the pool, and benefits from its arrangement with the Cell.

Receivables

Insurance and reinsurance receivables are valued separately in the UK GAAP financial statements but certain elements are considered as a component of the future cash flow projections used to value technical provisions for Solvency II purposes (US$27.9 million). An adjustment is also made to remove prepayment balances from the Solvency II balance sheet.

Deposits, Cash and Cash Equivalents

Cash and deposits are included in both the UK GAAP financial statements and for Solvency II purposes at their fair value. Amounts held in a money market fund are included as cash and cash equivalents on the UK GAAP balance sheet, but within investments in collective investments undertakings on the Solvency II balance sheet (US$29.1 million).

Other Assets

Other assets on the Solvency II balance sheet include property, plant and equipment of US$19.2 million (2022: US$20.4 million). Land and buildings within property, plant and equipment have been valued by independent valuers within the last three years and included at that revalued amount in the financial statements. This is also the market value of these properties in the Solvency II balance sheet. Alongside direct comparison of the properties with other properties sold in the relevant markets, the valuations have been performed using an investment method approach which involves an assessment of the likely annual rental value of the property which is then translated to a freehold capital value by applying an appropriate investment yield. The sensitivity of this valuation to changes in unobservable inputs is included in the company's financial statements.

Other assets on the UK GAAP balance sheet include deferred acquisition costs (US$4.6 million) which are assigned no value on the Solvency II balance sheet.

D.2 Technical Provisions

The following table sets out the value of the company's net technical provisions ("TPs") at 20 February 2023 and 20 February 2022.

	20 February 2023		20 February 2022	
	UK GAAP TPs US$M	**Solvency II TPs US$M**	**UK GAAP TPs US$M**	**Solvency II TPs US$M**
Gross Technical provisions	743.4	615.5	856.3	774.8
Reinsurance recoverables	(750.3)	(611.3)	(853.1)	(778.8)
Risk margin	N/a	7.2	N/a	9.6
Net Technical Provisions	**(6.9)**	**11.4**	**3.2**	**5.6**

NorthStandard's technical provisions are in relation to business written under the Marine, Aviation and Transport (P&I, FD&D, War, Hull, PA) and Fire and Other Damage to Property (Aquaculture) Solvency II lines of business. The company values TPs using the methodology prescribed by the Solvency II Directive and the Regulations made under that Directive. The TPs are made up of a best estimate of the claims, premiums and expense cash flows, which are then discounted to arrive at the necessary provisions. A specific risk margin is then added. The inclusion of future premiums, together with the high levels of reinsurance purchased by the Company, mean that reinsurance recoverables in the technical provisions can be in excess of the gross technical provisions.

Like the UK GAAP financial statements, there are several uncertainties inherent in the calculation of Solvency II technical provisions. The cash flows ultimately required to settle the net technical provisions are sensitive to several factors that can only be known for certain at the conclusion of all claims to which the provisions relate.

Claims

Gross and net claims are projected to their ultimate cost using standard actuarial techniques including chain ladder and Bornhuetter-Ferguson models. Claims cash flows are calculated on a best estimate basis which involves removing the allowance for prudence allowed for in the UK GAAP financial statements.

Premiums

Future premiums receivable and reinsurance premiums payable in respect of incepted business are taken from the UK GAAP balance sheet. They are then split between premiums on earned business which are included in the claims provision, and premiums on unearned business which are included in the premiums provision.

Expenses

Allowance is made for the expenses that will be incurred in managing the run-off of the technical provisions at the balance sheet date. Claims handling, policy administration, depreciation, investment management and an element of overhead expenses are included in the provision. Some of these expenses are additional to those included in the calculation of the claims handling reserve in the UK GAAP financial statements.

Bound but not Incepted (BBNI) Business

Most of the Company's insurance business is underwritten with an inception date of 20 February, meaning that at the year-end valuation date there is a significant amount of BBNI business. Provision is made for the future cash flows in relation to this business considering premiums, expected claims, and associated expenses expected to be incurred in the management of that business. This BBNI business is not included in the UK GAAP valuation of technical provisions.

Events not in Data (ENID)

An allowance is made for the fact that the business has potential exposure to claim events that are not typically captured by standard actuarial techniques. Events not in data are modelled based on a number of scenarios, namely i) excess inflation over and above that seen historically and allowed for in our reserving and business planning models; ii) a cyber-attack; and iii) estimating the development of latent claims for an as yet unknown industrial disease, based in part on the development of asbestosis claims historically. No such provision is made in the UK GAAP valuation of technical provisions.

Reinsurer Bad Debt

The technical provisions include an allowance for reinsurer bad debt at the expected value based on reinsurance amounts outstanding, their duration, and the credit rating of the reinsurance counterparties.

Projected Cash Flows

Projected cash flows are estimated by applying historical payment patterns to the estimates of ultimate claims, premiums and expenses.

Discounting

Projected cash flows are discounted using Bank of England prescribed risk-free interest rate term structure applicable to each currency for which technical provisions are calculated. UK GAAP technical provisions are not discounted.

Risk margin

The risk margin is calculated as the cost of capital for an insurer taking on the technical provisions of the Company at the valuation date and running the provisions off to zero. The company's SCR is recalculated at the valuation date and one year later on a run-off basis and is then projected forward on the assumption that the SCR runs-off in proportion to the best estimate technical provisions. A cost of capital of 6% is then applied to the SCR at each future date, with the corresponding costs discounted back to the valuation date to reflect the time value of money.

D.3 Other Liabilities

The following table sets out the value of the Company's other liabilities at 20 February 2023 and 20 February 2022:

	20 February 2023		20 February 2022	
	UK GAAP Liabilities US$M	**Solvency II Liabilities US$M**	**UK GAAP Liabilities US$M**	**Solvency II Liabilities US$M**
Payables	74.8	46.6	95.5	60.9
Pension benefit obligations	9.2	9.2	15.7	15.7
Derivative liabilities	0.8	0.8	-	-
Total other liabilities	**84.8**	**56.6**	**111.2**	**76.6**

The Company's other liabilities are recognised and valued for Solvency II purposes on the same basis as the UK GAAP financial statements.

Payables include insurance and reinsurance payables which are valued separately in the UK GAAP financial statements but are included in the future cash flow projections used to value technical provisions for Solvency II purposes.

Derivative liabilities are valued at fair value as in the UK GAAP financial statements. Derivatives are used to hedge the Company's exposure to GBP/USD exchange rate movements, as a significant proportion of the Company's operating expenditure is incurred in GBP whereas most of the income is generated in USD.

The defined benefit pension schemes valuation included in the UK GAAP financial statements is an economic valuation of the net liability of the Company associated with the operation of the schemes. Further information on the valuation of the net obligation is included in the financial statements of the Company. The schemes require the Company to fund future payments to members of the schemes and as such exposes the Company to the risk that the assets held by the schemes are insufficient to meet the schemes' obligations as they fall due for payment. The following table sets out the value and nature of the pension schemes' assets at 20 February 2023 and 20 February 2022:

	20 February 2023 US$M	**20 February 2022 US$M**
Equities	29.6	47.3
Bonds	62.3	115.1
Other	6.3	10.5
Cash	3.1	2.2
Total	**101.3**	**175.1**

D.4 Alternative Valuation Methods

Alternative valuation methods as prescribed by the Solvency II regulations are used to value the investment in the Cell and the land and buildings held by the company – details are provided in section D.1 Assets.

D.5 Any other Information

None.

E Capital Management (Audited)

E.1 Own Funds

The Company has a simple capital structure. UK GAAP balance sheet reserves comprise only tier 1 items derived from past underwriting and investment surpluses.

In addition to basic own funds, NorthStandard has received PRA approval for a maximum of 50% of the SCR to be met using ancillary own funds ("AOFs"). These are included as tier 2 own funds. AOFs represent an allowance reflecting the Company's ability to make additional premium calls on its members in the event of a shortfall. The amount that can be included is calculated as a percentage of member's P&I premium making an appropriate allowance for default risk, or, if lower, an amount equal to 50% of the SCR. The current approval for AOFs was granted on 2 February 2023 and expires on 20 April 2026. In the event of an additional call, the additional own funds raised would form part of the company's surplus and be included in tier one capital.

The Company's objective with respect to the management of own funds is to ensure that enough resources are available to cover 120% of the SCR at any point in time. The company uses a five-year planning horizon when managing own funds to ensure this level is maintained at all times.

Solvency II Own Funds at 20 February 2023 and 20 February 2022 are shown in the table below:

	20 Feb 2023 US$M	**20 Feb 2022 US$M**
Income & expenditure account	255.3	261.6
Contingency funds	25.5	38.2
Revaluation reserve	3.3	3.0
Total UK GAAP Resources	**284.1**	**302.8**
Solvency II adjustments	(20.7)	(42.9)
Solvency II excess of assets over liabilities	**263.4**	**259.9**
Ring fenced funds	(7.2)	(5.2)
Tier 1 own funds	**256.2**	**254.7**
Ancillary own funds (Tier 2)	66.7	66.5
Total Solvency II Resources (Own Funds)	**322.9**	**321.2**

The reconciliation reserve consists of the Solvency II excess of assets over liabilities (US$263.4 million; 2022: US$259.9 million) and the adjustment for restricted own fund items in respect of ring-fenced funds (US$(7.2) million; 2022: US$(5.2) million).

Solvency II Adjustments

All differences included as Solvency II adjustments relate to the valuation differences for assets and liabilities relative to the financial statements as set out in Section D Valuation for Solvency purposes.

Capital Transferability

The capital represented by the Company's investment in Hydra Insurance Company Limited (NorthStandard Cell) is not available to the Company to fully absorb losses on a going-concern basis. An adjustment has been made to Solvency II resources for this ring-fenced capital. The excess of assets over liabilities for the ring-fenced fund is US$55.4 million, the adjustment of US$7.2 million represents this excess less the contribution of the ring-fenced fund to the SCR of US$48.2 million.

All the other assets of the company are available to meet liabilities as and when they fall due, and therefore the company has no other restrictions regarding capital transferability.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The following table shows an analysis of the company's SCR split by risk modules at 20 February 2023 and 20 February 2022:

	20 Feb 2023 US$M	**20 Feb 2022 US$M**
Market risk	86.8	85.1
Counterparty default risk	38.2	34.9
Underwriting risk	11.2	14.6
Diversification	(21.3)	(24.2)
Basic SCR	**114.9**	**110.4**
Operational risk	18.5	22.7
Solvency Capital Requirement	**133.4**	**133.1**

There are no significant movements in the Solvency Capital Requirement for NorthStandard compared to the prior year.

The slight increase in market risk is driven by an increase in the valuation of the Hydra Cell offset by a reduction in other equity and spread risk following the fall in valuation of assets held by the pension scheme in the year.

The reduction in underwriting risk is driven primarily by the Fire and Other Damage to Property line of business, where reserving volumes have reduced as a result of the strategic pause in the year from underwriting Aquaculture business.

The reduction in operational risk is driven by the reduction in gross technical provisions year on year.

An annual assessment of the appropriateness of the standard formula SCR to North is carried out. The last review, completed in November 2022, confirmed that the standard formula SCR was appropriate for all risks.

The final amount of the SCR is subject to supervisory assessment.

Amount of the MCR

The MCR calculation is based on the net value of technical provisions and the expected level of retained premiums over the next 12 months. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. As at 20 February 2023 and 20 February 2022, the calculated MCR is lower than the 25% floor and therefore the MCR has been set equal to 25% of the SCR, which is US$33.4 million (2022: US$33.3 million).

Coverage of the SCR and MCR

The following tables show the company's coverage of the SCR and MCR as at 20 February 2023 and 20 February 2022:

	20 February 2023 US$M	20 February 2022 US$M
Coverage of SCR		
Capital resources	322.9	321.2
SCR	133.4	133.1
Coverage	189.5	188.1
% Coverage	242%	241%
Coverage of MCR		
Capital resources	256.2	254.7
MCR	33.4	33.3
Coverage	222.8	221.4
% Coverage	767%	765%

E.3 Use of the Duration-Based Equity Risk Sub-Module in the Calculation of the SCR

The company does not use the duration-based equity risk sub-module for the calculation of its SCR.

E.4 Differences between the Standard Formula and Any Internal Model Used

The company does not use an internal model to calculate any part of its SCR.

E.5 Confirmation of Compliance with the SCR & MCR

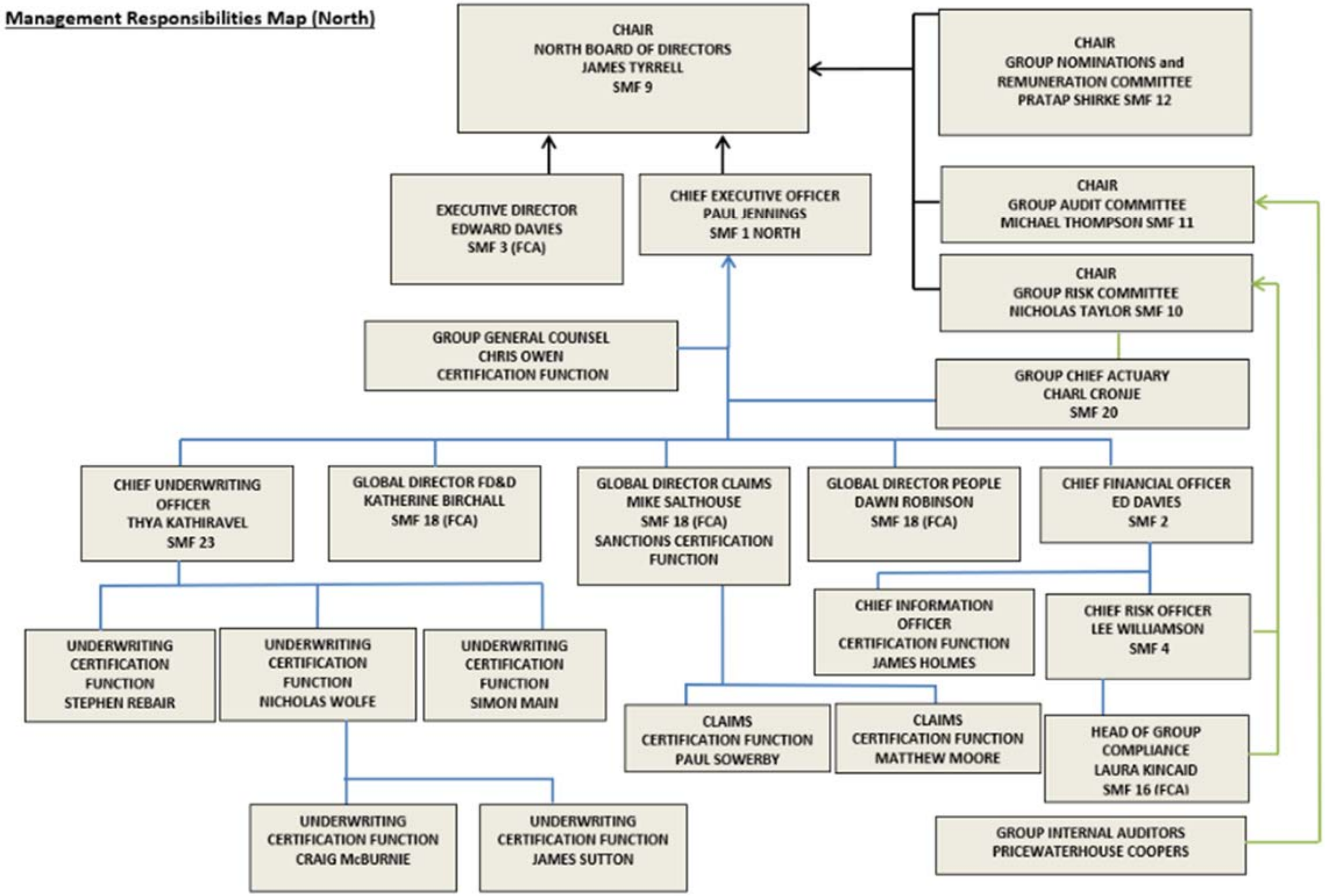
The company has complied with the SCR and MCR throughout the year.

E.6 Any other Information

None

Appendix 1 – Governance Map

Senior Insurance Management Functions & Key Functions – Responsible Individuals and Reporting Lines (at 20 February 2023)



Reporting Lines

Reporting line to Board of Directors

Primary operational reporting line

Independent reporting line to Committee

Key

PRA Senior Management Functions

SMF 1 – Chief Executive Function

SMF 2 – Chief Finance Function

SMF 4 – Chief Risk Function

SMF 5 – Head of Internal Audit Function (Election for outsourcing applied as North not considered 'significant')

SMF 7 – Group Entity Senior Insurance Manager Function

SMF 9 – Chairman

SMF 10 – Chair of Risk Committee

SMF 11 – Chair of Audit Committee

SMF 12 – Chair of Remuneration Committee

SMF 20 – Chief Actuary Function

SMF 23 – Chief Underwriting Officer Function

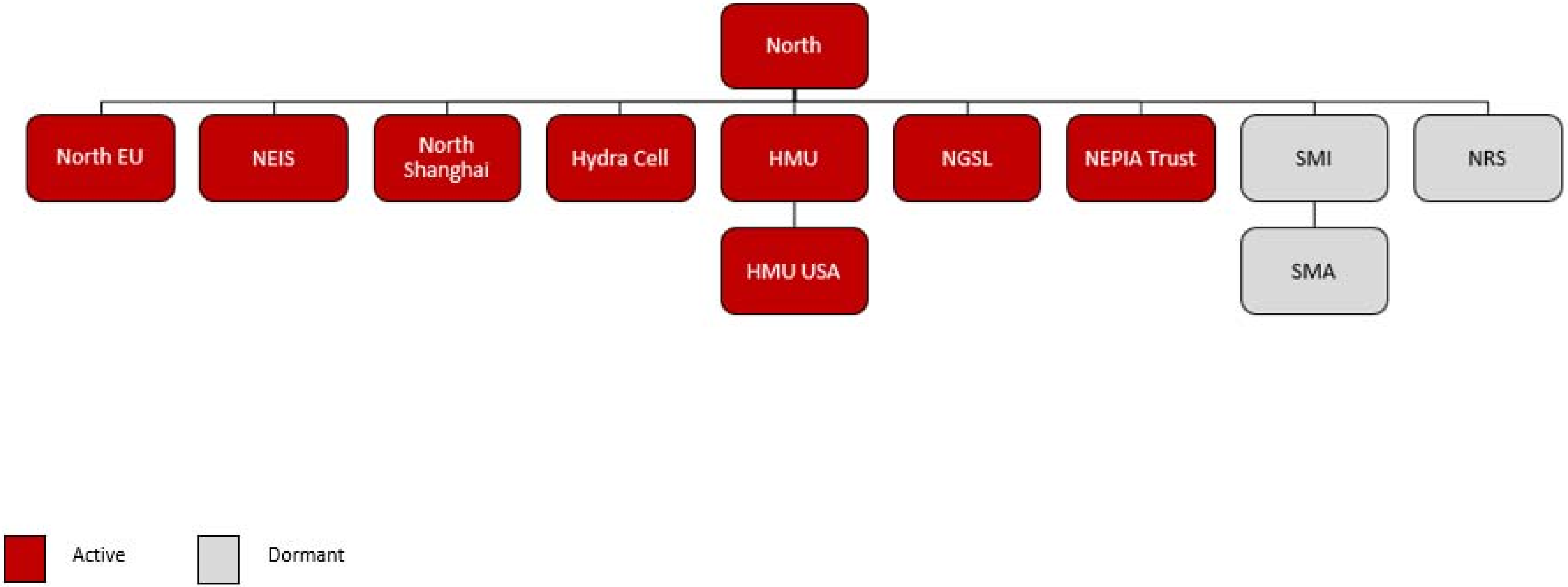
FCA Senior Management Functions

SMF 3 – Executive Director

SMF 16 –Compliance Oversight Function

SMF 18 – Other Overall Responsibility Function

Appendix 2 - Group Structure



Entity	Full name	Principal Activity	Registered Number	Domicile & LEI Number (if applicable)	Holding Percentage
NORTH STANDARD	NorthStandard Limited	Marine and aquaculture insurance	505456	England XJCO61LLUWTBTNWIXO 53	Group Parent Company
NORTH EU	North of England P&I Designated Activity Company (DAC)(North EU)	Marine and aquaculture insurance	628183	Ireland 635400AADIICESCVBE87	100% North
NEIS	North of England Insurance Services Inc.	Marketing and introduction of US business to North.	7008165	USA	100% North
NORTH SHANGHAI	North of England Marine Consultant (Shanghai) Ltd. Co.	Claims consultancy services for North & North EU	41000002201611180 030	China	100% North
NEPIA TRUST	NEPIA Trust Company Limited	Trustee of Group death in service schemes	03225823	England	100% North
SMI	Sunderland Marine Insurance Company Limited	Dormant. Former marine and aquaculture insurer	00016432	England 549300MOM633ONHV MI67	100% North
NGSL	North Group Services Limited	Employment of Group staff	03922841	England	100% North
HYDRA CELL	Hydra Insurance Company Limited (NorthStandard Segregated Cell)	Segregated cell company involved in International Group reinsurance programme	34834	Bermuda	100% North Cell
HMU	Harlock Murray Underwriting Limited	Coverholder	142398	Canada	100% North
NRS	North Risk Services Limited	Dormant, retained for potential future business development	07277271	England	100% North
HMU USA	Harlock Murray Underwriting LLC	Wholly owned subsidiary of HMU established for licensing purposes in USA	6174509	USA	100% HMU

Appendix 3 - Glossary of Terms

Basic SCR:	The SCR before operational risk and capital add-ons
BBNI:	Bound but not incepted. Refers to insurance contracts which the business is obliged to enter into where the inception date is after the valuation date
Combined ratio:	Claims incurred and expenses as a proportion of premiums
CRO:	Chief Risk Officer
EIOPA:	European Insurance and Occupational Pensions Authority
ENID:	Events not in data. Refers to possible future insured events which have not previously occurred
ERM Committee:	Enterprise Risk Management Committee
Expense ratio:	An expression of expenses as a proportion of premiums
GRC:	Group Risk Committee
IAS 19:	The international financial reporting standards for employee benefits, including defined benefit pension schemes
IFRS:	International Financial Reporting Standards
IG:	International Group of Protection & Indemnity Clubs, of which North is a member
IG Pool:	A mechanism for members of the IG to pool their large claims
Loss ratio:	An expression of claims incurred as a proportion of premiums
MCR:	Minimum Capital Requirement
ORSA:	Own Risk and Solvency Assessment
Own Funds:	Capital resources available to the company
QRTs:	Quantitative Reporting Templates
Reconciliation reserve:	A component of own funds
SCR:	Solvency Capital Requirement
SFCR:	Solvency Financial Condition Report
SIMF:	Senior Insurance Management Function
Standard Formula:	The approach applied by the company to calculate its SCR

Appendix 4 - SFCR Quantitative Templates

S.02.01 Balance Sheet
S.05.01 Premium, claims & expenses by line of business
S.05.02 Premium, claims & expenses by country
S.17.01 Non-life technical Provisions
S.19.01 Non-life insurance claim triangles
S.23.01 Own funds
S.25.01 Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01 Minimum Capital Requirement – non-life

NorthStandard Limited

Solvency and Financial Condition Report

Disclosures

20 February

2023

(Monetary amounts in USD thousands)

General information

Undertaking name	NorthStandard Limited
Undertaking identification code	XJCO61LLUWTBTNWIXO53
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	20 February 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
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	19,223
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	205,830
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	58,023
R0100	*Equities*	55,447
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	55,447
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	92,180
R0190	*Derivatives*	180
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	611,304
R0280	*Non-life and health similar to non-life*	611,304
R0290	*Non-life excluding health*	611,304
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	19,589
R0370	Reinsurance receivables	8,435
R0380	Receivables (trade, not insurance)	4,656
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	73,704
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	942,741

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	622,703
R0520	*Technical provisions - non-life (excluding health)*	622,703
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	615,494
R0550	*Risk margin*	7,209
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	9,223
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	996
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	16,631
R0830	Reinsurance payables	3,019
R0840	Payables (trade, not insurance)	26,954
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	679,526
R1000	**Excess of assets over liabilities**	263,215

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						274,692	-665										274,027
R0120	Gross - Proportional reinsurance accepted						421											421
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share						261,338	-1,085										260,253
R0200	Net						13,775	420										14,195
	Premiums earned																	
R0210	Gross - Direct Business						274,821	2,969										277,791
R0220	Gross - Proportional reinsurance accepted						421											421
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share						255,613	2,200										257,813
R0300	Net						19,629	769										20,398
	Claims incurred																	
R0310	Gross - Direct Business						147,085	-7,248										139,836
R0320	Gross - Proportional reinsurance accepted						-89											-89
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share						135,360	-6,854										128,506
R0400	Net						11,636	-394										11,242
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net						0	0										0
R0550	**Expenses incurred**						15,955	167										16,122
R1200	**Other expenses**																	11,162
R1300	**Total expenses**																	27,284

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			AU	NZ				
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	254,158	13,505	6,364				274,027
R0120	Gross - Proportional reinsurance accepted	421						421
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	242,369	10,133	7,751				260,253
R0200	Net	12,210	3,372	-1,387				14,195
	Premiums earned							
R0210	Gross - Direct Business	256,799	14,027	6,964				277,791
R0220	Gross - Proportional reinsurance accepted	421						421
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	243,944	7,865	6,004				257,813
R0300	Net	13,276	6,162	960				20,398
	Claims incurred							
R0310	Gross - Direct Business	131,350	7,903	584				139,836
R0320	Gross - Proportional reinsurance accepted	-89						-89
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	124,082	4,111	313				128,506
R0400	Net	7,180	3,792	271				11,242
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0				0
R0550	**Expenses incurred**	13,876	2,181	65				16,122
R1200	**Other expenses**							11,162
R1300	**Total expenses**							27,284

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**						0	0										0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross						35,477	123										35,600
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						46,098	84										46,182
R0150	**Net Best Estimate of Premium Provisions**						-10,621	39										-10,582
	Claims provisions																	
R0160	Gross						569,265	10,629										579,894
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						556,876	8,246										565,122
R0250	**Net Best Estimate of Claims Provisions**						12,389	2,383										14,772
R0260	**Total best estimate - gross**						604,742	10,752										615,494
R0270	**Total best estimate - net**						1,768	2,422										4,190
R0280	**Risk margin**						7,083	126										7,209
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**						611,825	10,878										622,703
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**						602,974	8,330										611,304
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**						8,851	2,548										11,399

S.19.01.21

Non-Life insurance claims

Total Non-life business

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

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

	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											10,005	10,005	10,005
R0160	2014	55,487	91,601	122,738	19,146	14,410	7,713	14,533	6,398	1,460	7,684		7,684	341,171
R0170	2015	42,710	68,526	61,492	20,815	28,601	10,960	5,226	2,500	3,482			3,482	244,313
R0180	2016	31,340	49,164	36,179	23,839	16,413	3,226	2,728	1,667				1,667	164,556
R0190	2017	38,166	45,094	36,915	19,054	10,452	6,983	3,979					3,979	160,644
R0200	2018	41,541	63,291	40,055	17,114	17,385	10,037						10,037	189,424
R0210	2019	66,446	79,595	51,218	14,761	16,148							16,148	228,168
R0220	2020	111,058	367,640	274,378	69,985								69,985	823,062
R0230	2021	41,230	49,630	25,401									25,401	116,262
R0240	2022	33,072	57,065										57,065	90,137
R0250	2023	24,488											24,488	24,488
R0260												Total	229,942	2,392,230

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											73,288	66,849
R0160	2014	0	0	0	0	0	0	0	0	0	-36,893		-33,652
R0170	2015	0	0	0	0	0	0	0	0	16,748			15,277
R0180	2016	0	0	0	0	0	0	0	21,945				20,017
R0190	2017	0	0	0	0	0	0	19,849					18,105
R0200	2018	0	0	0	0	0	46,539						43,152
R0210	2019	0	0	0	0	51,722							47,215
R0220	2020	0	0	0	151,368								138,068
R0230	2021	0	0	79,590									72,648
R0240	2022	0	99,553										90,848
R0250	2023	111,124											101,472
R0260												Total	579,998

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	255,997	255,997			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	255,997	255,997	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	73,800			73,800	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	73,800			73,800	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	329,797	255,997	0	73,800	0
R0510	Total available own funds to meet the MCR	255,997	255,997	0	0	
R0540	Total eligible own funds to meet the SCR	322,708	255,997	0	66,710	0
R0550	Total eligible own funds to meet the MCR	255,997	255,997	0	0	
R0580	**SCR**	133,420				
R0600	**MCR**	33,355				
R0620	**Ratio of Eligible own funds to SCR**	241.87%				
R0640	**Ratio of Eligible own funds to MCR**	767.49%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	263,215				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	0				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	7,218				
R0760	**Reconciliation reserve**	255,997				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	5,714				
R0790	**Total Expected profits included in future premiums (EPIFP)**	5,714				

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	66,442		
R0020	Counterparty default risk	65,811		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	19,293		
R0060	Diversification	-36,591		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	114,956		

USP Key

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

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	18,465
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	133,420
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	133,420
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	76,628
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	48,175
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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

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

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	3,216

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	1,768	19,629
R0080	Fire and other damage to property insurance and proportional reinsurance	2,422	770
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	3,216
R0310	SCR	133,420
R0320	MCR cap	60,039
R0330	MCR floor	33,355
R0340	Combined MCR	33,355
R0350	Absolute floor of the MCR	3,966
R0400	**Minimum Capital Requirement**	33,355

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