Registered in England and Wales Number: 1445992

Reliance National Insurance Company (Europe) Limited
Report and Financial Statements
30 June 2023

Registered Office:
4th Floor
52-54 Gracechurch Street
London
EC3V 0EH

Directors and Officers

Directors:

M C Batten	
J R Bolton	(appointed 12 July 2023)
B S Huntington	(resigned 12 July 2023)
S P McDermott	(appointed 12 July 2023)
A J Thompson	
J C Williams	(resigned 12 July 2023)
S A Wrenn	(resigned 30 April 2022)

Company Secretary:

J R Bolton	(appointed 12 July 2023)
L A Dlaboha	(resigned 31 August 2022)

Registered Office:

4th Floor
52-54 Gracechurch Street
London
EC3V 0EH

Independent Auditor:

Deloitte LLP
Statutory Auditor
2 New Street Square
London
EC4A 3BZ
United Kingdom

Strategic report for the 18 month period ended 30 June 2023

The directors present their strategic report on the Company for the 18 month period ended 30 June 2023.

Summary

The principal activity of Reliance National Insurance Company (Europe) Limited (the "Company") is the run-off of general insurance business.

The Company experienced a material deterioration in its financial position during 2021. As a consequence, it was identified that the Company had limited surplus assets available to absorb any unanticipated adverse developments in its business and was in breach of certain regulatory capital requirements. The estimate of the ultimate cost of the Company's liabilities to its policyholders and other creditors was considered sufficiently uncertain that there was a material uncertainty over the Company's ability to meet its contractual obligations to its policyholders in full. Notwithstanding these uncertainties the Directors determined at that time that it was more likely than not that the Company would continue to be able to meet its contractual obligations to its policyholders in full.

During the reporting period, the Company actively followed its remediation plan designed to reduce the uncertainty associated with its exposures and restore stability to its financial position. In addition to this the Company explored a number of options to address these risks and to facilitate the conclusion of the run off of its liabilities in a solvent and orderly manner; more particularly the Company has developed a strategy to accelerate the closure of its exposure to its Medical Liability portfolio through a solvent Scheme of Arrangement, thereby allowing significant cost savings on future claims management and operational expenses and providing greater certainty as to the likely outcome from running off the portfolio.

The Company continues to be exposed to a number of uncertainties which could affect its solvency, notwithstanding the significant reduction in exposure to Medical Liability business that the Company has achieved in the period. These uncertainties principally relate to potential adverse litigation outcomes on claims made against the Company's policyholders and the ability of the Company to execute the proposed solvent Scheme of Arrangement. The Company is also exposed to broader economic and other risks including changes in inflation, interest rates and currency exchange rates. The Company's approach to managing these is set out in the "Principal Risks and Uncertainties" section of this report below.

The Directors continue to consider that it is more likely than not that the Company will be able to meet its contractual obligations to policyholders and its other creditors in full. In reaching this conclusion the Directors have assumed that those policyholders will approve the proposed solvent Scheme of Arrangement. In the absence of the proposed Scheme of Arrangement being approved, there is a risk that the operational and claims management costs required to run off the portfolio in the ordinary course of business will result in policyholders not being paid in full in respect of their agreed claims.

The former owner of the Company, namely ILS Property and Casualty Re Limited, executed the sale of 100% of the share capital of Reliance National Insurance Company Europe Limited on 12 July 2023. The acquirer Quest Group Holdings Limited is a company incorporated in the United Kingdom.

The acquirer intends to continue with the existing strategic plan to close the Medical Liability portfolio through a Solvent Scheme of Arrangement, whilst also assuming liability for a small legacy portfolio of UK Employers' Liability policyholders (see below), which cannot be included in the proposed Scheme of Arrangement. If the Company is successful in implementing these plans it intends to seek permission to de-register as an authorised insurer and ultimately dissolve itself.

Review of the Business
The Company has not written any new business since it voluntarily ceased underwriting on 15 January 2001. Its authorisation to write new and renewal business was withdrawn by the Financial Services Authority on 30 November 2001, at the Company's request. Following the completion of a Scheme of Arrangement in 2012, the remaining liabilities at that time were a small number of UK Employers' Liability policies.

On 21 November 2018 a portfolio of discontinued Medical Liability Insurance was transferred into the Company under Part VII of the Financial Services and Markets Act 2000 (the "Part VII Transfer"). This portfolio now represents substantially all of the Company's insurance liabilities. The portfolio was originally underwritten by QBE and provided coverage to public and private hospitals and other healthcare institutions predominantly in Italy but also in Spain. Open claims primarily relate to policies which indemnify policyholders (primarily Public Hospitals) for compensation claims made against them alleging medical negligence which has caused bodily injury and other losses to claimants. The circumstances underlying each claim may be complex, and a high proportion of claims involve ongoing litigation between the claimants and the policyholder the outcome of which is difficult to predict. The portfolio was written on a claims-made basis with the last policy underwritten in 2013; it is unlikely therefore that any new valid claims will be made.

The Company's claims administration has been outsourced to Third Party Administrators ("TPA"), who also manage some lower value claims. The Company outsourced all other operations, including supervision of the TPAs and management of high value or complex claims to a service company Premia UK Services Company Limited ("Premia"). Following change of control, performance of all administrative functions other than claims related services are being transferred to Quest Consulting (London) Limited. A transition plan is in place to ensure business continuity, including the transfer of data, records, and certain operational processes and systems.

The Company has progressed its plan to close the Medical Liability portfolio through a Solvent Scheme of Arrangement, including holding outline discussions with the regulators and potential Scheme creditors.

The Company operates a low-risk investment strategy with funds held predominantly in Euro denominated bank deposits and investments in Euro denominated high quality government and corporate bonds managed by an external fund manager.

Results
The results of the Company for the period are set out on page 23.

The Company reported a loss attributable to its shareholder of €3.8 million in the 18 month period to 30 June 2023 (31 December 2021: loss of €23.9 million). The total equity of the Company at 30 June 2023 is €3.5 million (31 December 2021: €7.3 million). The Company is in breach of both its solvency capital requirement ("SCR") and its minimum capital requirement ("MCR") and has notified its regulator of this position.

The loss for the period is primarily attributable to net operating expenses of €5.2m which included costs associated with the change of control and preparation for the Solvent Scheme offset by favourable claims incurred of €1.8m. Increases in the estimated ultimate cost of both future directly attributable claims handling costs and future claims management costs were offset by improvements in estimates of future indemnity claim costs and recoveries.

A remediation plan was developed and implemented in the second half of 2021 which was intended to restore the Company to a more stable financial position. This plan includes proactively seeking to accelerate settlement of claims and thereby reduce the risk and costs associated with these exposures. The plan has been successful in reducing the Company's exposure to claims indemnity as reflected in a 61% reduction in the value of net indemnity case reserves, closure of 217 claims since 31 December 2021 and identification of potential recoveries on adverse judgements likely to be overturned on appeal and from third parties. However the overall improvement arising from the de-risking of medical liability indemnity exposures was offset by re-estimation of costs of defending claims and other claims management costs, leading to an overall underwriting loss of €3.4m.

Key performance indicators ('KPIs')

During the period the Company has continued to pursue its strategic objective to conduct the orderly management of the run-off, accelerating the settlement of claims where possible and otherwise settling claims as they fall due whilst maintaining adequate insurance reserves to cover potential future liabilities.

The board monitors progress against this strategy using the following KPIs:

	30 Jun 2023	31 Dec 2021	
	€'000	€'000	
Gross claims paid	**29,892**	26,689	Gross claims settled in the year
Gross technical reserves	**21,085**	52,078	Gross claims costs provision
Net Assets	**3,526**	7,278	Net Assets of the Company
SCR coverage ratio	**14%**	16%	Solvency Capital Requirement
MCR coverage ratio	**34%**	59%	Minimum Capital Requirement

Gross claims paid have increased compared with the prior period due to (a) the longer reporting period and (b) the impact of the accelerated claims settlement strategy described above. The significant reduction in gross technical reserves reflects the progress that has been made in implementing this plan. The reduction in net assets is the result of the net underwriting loss (described in "Results" above) as well as a loss on investments and foreign exchange movements. The fall in the SCR ratio is primarily due to the loss reported in the period, mitigated by a reduction in the overall Solvency Capital Requirement as the portfolio runs off. The Company's MCR is no longer reducing in line with the reduction in net insurance liabilities as this calculation produces a result lower than the absolute floor value of €4m set under Solvency II. The reduction in the MCR coverage ratio is proportionally greater therefore than the reduction in the SCR ratio.

Future development and strategy

The Company's strategic objective continues to be the orderly run off of the remaining books of business, accelerating the settlement of claims where appropriate and otherwise settling claims as they fall due. The Company will continue to progress the remediation plan developed and implemented in 2021 with respect to Italian medical liability claims, including seeking to reduce litigation risk through a proactive settlement strategy, maximising contributions from third parties who may be liable to contribute in respect of underlying claims and maximising recoveries from claimants following successful appeals which overturn previously enforced verdicts. The Company will also continue the orderly run off of the Spanish medical liability claims albeit there are now only a very small number of claims remaining.

The Company has a small residual UK Employers' Liability business which continues to be run off. The Company considers the possibility of any significant impact on the Company's solvency arising from this exposure to be extremely low based on historical experience.

In assuming liabilities through the Part VII Transfer of the Medical Liability Insurance portfolio from QBE, the Company took on circa 2,500 open claims, still with material uncertainty in the ultimate claims cost. The last year of underwriting was 2013 and for all policies there is a contractual requirement that any circumstances which might give rise to a claim must be notified within a maximum of two years of the event or action which could potentially give rise to a claim. This limits the potential for new claims to be notified in the future, and new claims should therefore only arise from previously reported circumstances. The Company had approximately 400 open claims as at 30 June 2023.

Following the re-estimation at 30 June 2023 of provisions for future indemnity, defence costs and claims management costs the Company estimates that its Solvency II own funds capital position is below both the applicable SCR and MCR. Restoration of the Company's solvency above its MCR or SCR is considered unlikely in the foreseeable future.

Going concern

During the prior year the Company incurred a loss which was primarily attributable to material adverse claims deterioration and additional operational and claims handling expenses on its Italian medical liability exposures. A consequence of the losses that the Company experienced is that it now has limited surplus assets available to absorb any unanticipated adverse developments in the cost of settling claims. The company also continues to breach its Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR).

The Directors commissioned an external claims review and actuarial review during 2021 which validated the revised case reserving philosophy and actuarial estimation approaches and assumptions used in preparing the financial statements at that date. Notwithstanding this validation, estimates of future claims costs are highly sensitive to a number of different assumptions including future litigation outcomes, the ability of the Company to enforce coverage exclusions on claims made outside the policy notification period, changes in compensation costs awarded by the courts, the impact of future inflation, and the length of time and hence expense required to complete the run-off of the Company's insurance liabilities. There continues to be material uncertainty therefore in the company's estimates of future claim costs. The Company continues to implement the remediation plan noted above to mitigate these risks.

The Directors have reviewed and updated the assumptions used in estimating the Company's future liabilities in the light of experience in the period, the reduction in the number and value of open claims and other changes in the external environment. The assumptions made in estimating claims reserves within the financial statements are considered to be at a best estimate and are as likely to result in future savings as they are in future deteriorations. However the sensitivity of estimates of future claims costs to assumptions about events and circumstances that will happen in the future creates a material uncertainty in these estimates.

In addition to the remediation plan which is already in the process of implementation, the Company has developed a plan to implement a solvent Scheme of Arrangement of its Medical Liability exposures which is subject to obtaining the approval of the Court, the Company's regulators and sufficient support from policyholders who are creditors. The Directors have made a judgement that the Company will be able to obtain sufficient support from its Medical Liability policyholders, a majority of whose approval by number and value is required for the Scheme to proceed, to implement the proposed solvent Scheme of Arrangement and will therefore be able to reduce the length of time and hence cost required to wind down the Company's activities. If the Scheme is not implemented it is expected that future costs required to run-off the Company's business would more likely than not exceed the assets available to pay them, and the Directors would, in all probability, resolve to place the Company in administration. In those circumstances it is expected that policyholders would face a worse outcome than would be the case if a solvent Scheme of Arrangement is implemented. This conclusion has been validated by the restructuring and insolvency advisors the Company has appointed to assist with implementation of the Scheme. The Directors are of the view that a sufficient number of Medical Liability policyholders will consider a solvent Scheme of Arrangement is in their best interests and will vote in favour of it.

Given the limited surplus assets available to absorb any unanticipated adverse developments which could arise in the next 12 months, this indicates a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding, the Directors have concluded that there is a reasonable prospect that the Company has adequate resources to continue as a going concern.

In reaching their conclusion the Directors have not identified any other non-remote non-financial business risks which could have a sufficiently material impact on solvency or liquidity to call into question the Company's ability to continue to trade as a going concern.

Note 3(b) to the accounts provides further details of the factors and judgements considered in reaching the assessment that while there are reasonable prospects of the Company remaining as a going concern, there remains a material uncertainty as to whether this will be the case.

Principal risks and uncertainties

As part of its risk management framework, the Company engages the services of Independent Non-Executive Directors, which includes the roles of Chair and Chair of the Audit and Risk Committee ('ARC'). Although the Company has appointed Independent Non-Executive Directors, during the reporting period the Chair has been required to perform the role of acting CEO on a temporary basis and hence has not been treated as an Independent Non-Executive Director.

As a regulated entity, there is an embedded expectation that risk is managed by adopting a continual cyclical process which includes risk assessment, risk decision making, and implementation of risk controls in relation to the acceptance, mitigation, or avoidance of risk. The Board has implemented what it considers to be a robust risk management framework. This ensures that the Company has in place an effective risk-management system comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report, on a continuous basis the risks to which the Company is or could be exposed, both at an individual and at an aggregated level, as well as the interdependencies between those risks.

The most important components of these risks are:

- Strategic risk – ability to execute strategic plans, including to close exposures arising from the Company's insurance business and thereby allow expense savings to be achieved.
- Solvency risk - timing and valuation risk in relation to technical provisions;
- Market risk - interest rate, currency, credit, concentration, and liquidity risk in relation to financial assets.

(a) Strategic and regulatory risk:

The principal risk faced by the Company arises from the material uncertainty that it will be unable to execute its strategic plan to close its exposure to its insurance business and achieve the consequent expense savings. The strategy relies on obtaining support from external stakeholders including its policyholders and regulators. The Company is in breach of its regulatory minimum capital requirement and if it is unable to execute this strategy it is considered likely that the Company will be placed in administration.

To mitigate this risk, the Company continues to seek resolution of its insurance liabilities through the claims' remediation plan outlined above and has appointed external advisors experienced in the implementation of solvent Schemes of Arrangement. The Company has put in place a policyholder communication plan to explain the circumstances and the expected benefits to policyholders of its proposed strategy, and regularly consults and communicates with its regulators on its plans.

(b) Solvency risk:

Technical provisions: The principal valuation risk faced by the Company is that ultimate claims and expenses are higher than the amounts assumed in the best estimate of reserves. There is material uncertainty in the ultimate claims cost for the Medical Liability portfolios and associated defence and claims handling costs. It is considered highly unlikely that the residual Employer's Liability policies will have a material effect on the value of ultimate claims.

To mitigate this risk, the Company has put in place the claims remediation plan outlined above, employs specialist claims handlers and legal advisors to manage its claims and regularly reviews the actuarial assumptions and legal analyses used to manage and monitor its insurance liabilities.

(c) Market risk:

Interest rates: Interest rate risk arises primarily from investments in fixed interest securities. The Company has reduced its exposure to interest rate risk by reinvesting the proceeds of maturing fixed interest securities in interest bearing deposit accounts and fixed term deposits. The residual portfolio of fixed income securities is broadly matched to the expected pay-out profile of its liabilities.

Currency risk: This risk arises from normal operations and is largely mitigated by actively matching assets and liabilities by currency. The Company holds a proportion of its cash and investments in Pounds to match its exposure to future UK based costs which will be incurred in this currency, with substantially all other assets held in Euros. As a consequence, currency risk has been minimised, however due to the volatility and uncertainty in the value of liabilities, some short-term currency risk may be unavoidable.

Credit risk: The Company is exposed to credit risk on cash or other fixed income securities held with credit institutions. Cash balances are held with highly rated banks. These balances are monitored regularly. The Company has a limited reinsurance programme in place to manage insurance risk. All reinsurance has been placed with an A+ rated reinsurer.

Concentration risk: The Company has accepted the concentration risk arising from holding the cash and fixed term deposits which form the majority of its assets with two different highly rated banks, both of which are considered systemically important by global financial regulators. Concentration risk on fixed interest securities is mitigated by placing limits on the amount of assets that can be invested in a single counterparty or closely related counterparties.

Liquidity risk: The Company's policy is to hold cash and cash equivalents that enable it to meet expected claims and expenses for the next 3 months. The Company will only purchase listed investments that are readily marketable and for which valuations are readily available.

The Company has a conservative investment policy and has not experienced any material adverse impact to date.

Environmental impact
The service provider implemented a project during 2021 in response to the PRA's supervisory statement (SS3/19) on enhancing firms' approaches to managing climate-related financial risks issued in April 2019 and the follow-up "Dear CEO" letter issued in July 2020. Given the Company's plan to exit its insurance liabilities outlined above, the nature of its insurance business, its small operational footprint and investment policy to reinvest the proceeds of maturing investments in cash or fixed term deposits, the Company has identified no material climate related risks. Note 3(o) to the accounts describes the Company's accounting policies with respect to climate related risks.

Section 172 Statement
The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in Section 172 of the Companies Act 2006 and include a duty to take into consideration the interests of stakeholders in their decision making. When making decisions, the Directors continue to have regard to the interests of the employees associated with the Company and other stakeholders, including the impact of its activities on the community, the environment, and the Company's reputation. Acting in good faith and fairly between its members, the Directors consider what is most likely to promote the success of the Company for its members as a whole.

The following summarises how the Directors fulfil these duties:

- **Management of risk** – the Directors, through scheduled Board meetings and approvals sought between Board meetings, assess and consider how to ensure that the orderly management of the run off continues both now and in the future and that associated risks are managed. A key financial risk is that proceeds from financial assets are not sufficient to fund claims as they fall due. As a regulated insurance entity, the Board has imbedded a robust risk management framework over which they retain oversight, supporting the desire for a high standard of business conduct. Whilst the Board retains ownership, during the reporting period it has delegated oversight responsibilities for, risk, capital, financial reporting, and expense management to the Board's Audit and Risk Committee. During the reporting period the role of this committee was to constructively and independently challenge its third-party service provider Premia who were engaged to undertake the day-to-day management of the Company on its behalf. This approach provides independent assurance to the Board about the capability of the business to achieve its objectives and management's ability to manage the business to achieve the Company's overall business objectives. To assist it in its duties, an Internal Audit function is available to provide separate assurance to the Board (through the Audit and Risk Committee) on key processes and controls. The Finance and Investment committee within Premia monitors overall financial performance, investments, expenses and solvency position and the Claims committee within Premia assesses risk arising from claims, amounts recoverable on deductibles owed by policyholders and reinsurance. Given the circumstances of the Company the frequency of Audit and Risk Committee meetings was increased and Directors were in daily and weekly contact with Premia.

- **People** – the Company commits to being a responsible business, with behaviour aligned to the expectations of its people, policyholders, investors, communities, and society. Whilst the Company has no direct employees to perform the day-to-day management of the Company, the Directors look to the people providing services as part of the outsourced arrangement described above. The Company monitors the performance of its third-party service providers through regular dialogue to ensure they act in accordance with the duties imposed on them as the Company's directors.

- **Business relationships** – the Company requires a stable platform to run-off its legacy insurance business in a cost-effective manner. To support this, it develops and maintains strong long-term relationships with its third-party service providers.

- **Community and Environment** – in conjunction with its third-party service providers, the Board understands that its operations may have an impact on the environment and so it focuses on ensuring that appropriate mechanisms are in place to assess and mitigate those impacts in a socially responsible way. The issue of climate change is a standing item on Board and Committee agendas, with a commitment to continue to look at operating processes that make an environmental difference.

- **Shareholders** – the Board openly engages with its shareholders' representatives, recognising the importance of effective dialogue through regular investor update meetings.

- **Regulators** – The Board continues to engage with the Company's key regulator, the Prudential Regulation Authority as well as Italian and Spanish regulators and ensure their needs and expectations are met.

Approved by the board of directors and signed on its behalf by a director of the Company.

M C Batten
Director

13 October 2023

Directors' report for the 18 month period ended 30 June 2023

The directors present their report and the audited financial statements for the Company for the period ended 30 June 2023.

Future developments
Likely future developments in the business of the Company are discussed in the strategic report.

Dividends
No dividends are paid or proposed (31 December 2021: nil).

Directors
The names of the current directors and changes effected during the period are listed on page 2. All directors have served throughout the period unless otherwise stated.

The Company does not have any qualifying third-party indemnity provisions.

Employees
The Company has no employees.

Disclosure of relevant information to auditors
Each of the persons who is a director, at the date of this report, confirms that:

- as far as each of them is aware, there is no information relevant to the audit of the company's financial statements for the period ended 30 June 2023 of which the auditors are unaware; and
- the Directors have taken all steps that they ought to have taken in their duty as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditor
Deloitte LLP have been appointed as the Company's external auditor in accordance with Section 485 of the Companies Act 2006.

Statement of directors' responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each accounting period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, namely FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Instruments
The Company has chosen to apply the recognition, measurement, and disclosure requirements of FRS 102, in respect of financial instruments. Information regarding the Company's use of financial instruments and management of financial risk is disclosed in note 5.

Post balance sheet events
The Company was acquired by Quest Group Holdings Limited on 12 July 2023, as further described within the Strategic Report above and within Note 20 Subsequent Events.

Approved by the board of directors and signed on its behalf by a director of the Company.

M C Batten
Director

13 October 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RELIANCE NATIONAL INSURANCE COMPANY (EUROPE) LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Reliance National Insurance Company (Europe) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2023 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and Financial Reporting Standard 103 "Insurance Contracts"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 ("Insurance Contracts") (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Material uncertainty relating to going concern

We draw attention to Note 3 in the financial statements, which indicates that during the prior year the company incurred a loss which was primarily attributable to material adverse claims deterioration on its Italian medical liability exposures. A consequence of the losses is that the company now has limited surplus assets available to absorb any unanticipated adverse developments in the cost of settling claims and continues to breach its Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR").

The company's estimates of future claim costs are highly sensitive to several assumptions including assumptions relating to future litigation outcomes, the ability of the company to enforce coverage exclusions on claims made outside the policy notification period, changes in compensation costs awarded by the courts, the impact of future inflation, and the length of time and hence expense required to complete the run-off of the company's insurance liabilities. There continues to be material uncertainty therefore in the company's estimates of future claim costs.

A remediation plan was developed and implemented in the second half of 2021 which was intended to restore the company to a more stable financial position. In addition to the remediation plan the company has developed a plan to implement a Solvent Scheme of Arrangement ("Scheme") of its medical liability exposures which is subject to obtaining the approval of the Court, the company's regulators and sufficient support from policyholders who are creditors. If the Scheme is not implemented, it is expected that the ultimate future costs required to run-off the company's business would more likely than not exceed the assets available to pay them, therefore the directors would be required to place the company into administration.

As stated in note 3, these events or conditions, along with the other matters as set forth in note 3 of the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included, we:

- obtained an understanding of the controls relating to the review and approval of the going concern assessment;
- engaged in regular discussions with the directors on the status of their proposed remediation plan, including a review of relevant agreements and correspondence with the Prudential Regulation Authority ("PRA");
- evaluated the competence, capability and objectivity of the management's experts;
- assessed the reasonableness of the counter factual analysis performed by management with the involvement of the restructuring and insolvency advisors of the company, which demonstrates that a solvent scheme of arrangement is in the best interests of policyholders compared with the alternative natural run-off approach.
- obtained an understanding of the entity's current financing through cash and investments and other assets, including the nature of these assets, the quality of these assets and the liquidity of these assets;
- challenged the appropriateness of management's forecasts by testing their mechanical accuracy, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis;
- evaluated future profit forecasts and assessing the reasonableness of assumptions used;
- performed the "stand back" procedure considering the full judgement process relating to the going concern assessment and consistency of a judgement with the audit evidence obtained in the course of our audit;
- considered the consistency of management's forecasts with other areas of the audit; and
- evaluated the wording of the going concern statement, including the material uncertainty, and assessed its consistency with management's forecasts.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

4. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going concern assumptions (see material uncertainty relating to going concern section) • Valuation of claims outstanding Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was €320,000 which was determined on the basis of technical provisions.
Scoping	Audit work to respond to the risks of material misstatement was performed by the audit engagement team.
Significant changes in our approach	The reporting period was changed from a 12 month period (1 January – 31 December) to an 18 month period (1 January – 30 June) as stated in note 3 of the financial statements We adapted our audit approach accordingly.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

5.1. Valuation of claims outstanding

Key audit matter description	As at 30 June 2023, the company's claims outstanding reserve was €21.1m (2021: €52.1m) comprising of incurred but not reported ("IBNR"), claims outstanding and unallocated loss adjustment expenses ("ULAE"). The claims outstanding reserve is a material balance within the financial statements. Claims outstanding is the key liability balance that has a material effect on the results of the company. The company run-off portfolio consists predominantly of long-tail and complex Italian medical liability claims. The valuation of reserves associated with these claims relies significantly on assumptions around the expected ultimate cost of claims incurred, including those not yet reported at the reporting date. These require a high degree of judgement,

	and the valuation is particularly sensitive to small changes in these assumptions. We therefore identified the valuation of claims outstanding as a key audit matter. The level of IBNR associated with medical liability claims represents significant estimation uncertainty with a wide range of reasonable outcomes as discussed in the key sources of estimation uncertainty disclosure in notes 4 and 5 of the financial statements. Moreover, the valuation of ULAE depends upon the critical judgement related to the implementation of the Solvent Scheme of Arrangement by the management, as disclosed in the note 4 of the financial statements. Due to the potential for management bias in setting the valuation of claims outstanding, we identified this as a potential fraud risk. The company involved an inhouse actuarial expert to assist in calculating its IBNR balance, which is supported by the assessment of an external advisory expert. The company also involved this external advisory expert in calculating the ULAE. For further details refer to notes 3d, 4, 5 and 15 of the financial statements where management have disclosed their critical accounting judgements and estimation uncertainty in relation to the ultimate liability arising from claims made under insurance contracts.
How the scope of our audit responded to the key audit matter	We tested the relevant controls over the data, assumptions and models used in reserving. We tested the completeness and accuracy of underlying claims data used in the company's reserving process by agreeing a sample of claims back to source systems and bordereaux received from third party claims management service providers. We have worked with our actuarial specialists to assess and challenge the appropriateness of the methodology and assumptions used by management in setting the company's claims outstanding. This challenge included the following procedures: • Evaluated the competence, capability and objectivity of management's experts; • Assessed key assumptions used by management in their reserving methodology including the selected inflation and accelerated settlement rate; • Inspected management's documentation and key reserving files to conclude on the reasonableness of the methodology, including data segmentation of the methods considered by management; • Assessed management's approach of adopting the implied IBNR based on rolling forward the ultimate claims from 31 December 2022 was reasonable; and • Assessed the disclosures made by management in notes 4 and 5 of the financial statements in relation to the value of claims outstanding and the associated estimation uncertainty.
Key observations	While we note the increased estimation uncertainty in relation to the claims outstanding, particularly in respect of Italian medical liability claims, as disclosed in note 4 and 5 to the financial statements, we determined the valuation of the claims outstanding is appropriate.

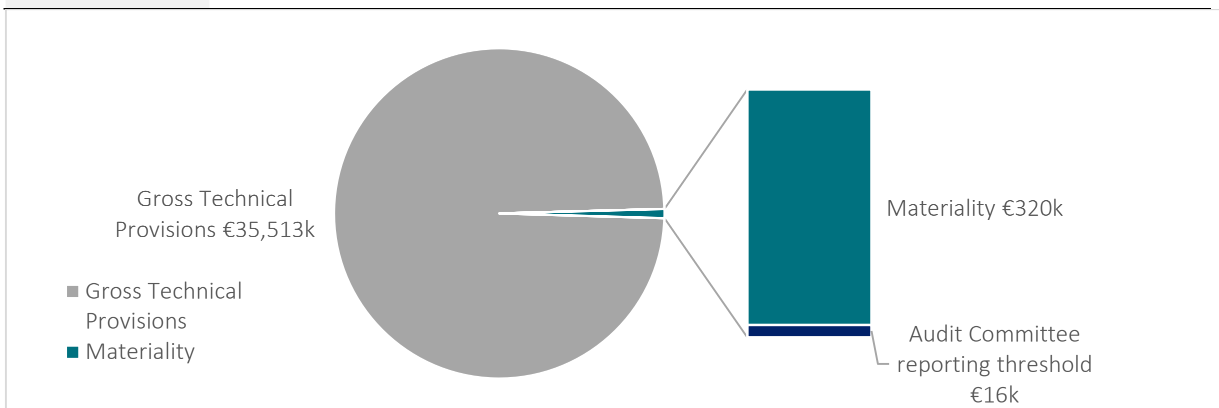
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	€320,000 (2021: €386,000)
Basis for determining materiality	1% of technical provisions (2021: 0.5% of technical provisions). The increase to 1% is to bring the factor in line with similar companies in the industry.
Rationale for the benchmark applied	The principal activity of the company is managing the efficient run-off of their claims portfolio. The gross technical provisions reflect the ultimate position of the volume and nature of claims outstanding and expected exposure to losses. It is a critical consideration to an insurance company, as it constitutes most of the liabilities and it requires significant accounting estimation and judgement. As a runoff entity, the gross technical provisions usually represent the most material balances and the element of the statements that drive future financial performance, therefore we consider gross technical provision to be the appropriate benchmark for materiality



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality for the 2023 audit (2021: 60%). We have changed the percentage applied due to our past experience as auditor to the company and the absence of significant change in the company's business since the prior year. In determining performance materiality, we considered the following factors:

the nature and understanding of the entity and its control environment; and

the nature, volume and size of corrected and uncorrected misstatements in the previous audit.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €16,000 (2021: €19,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed by the audit engagement team.

7.2. Our consideration of the control environment

The Company uses SUN as its financial reporting system. With the involvement of our IT specialists we obtained an understanding of General IT Controls ("GITC") around the user access, authentication and change management of the system.

We performed our walkthroughs and understanding of the relevant controls of the financial statement reporting process. We also tested the relevant controls relating to the data, assumptions and models used in reserving. We adopted a fully substantive approach in our audit testing.

7.3. Our consideration of climate-related risks

We have gained an understanding of management's processes to address climate-related risks. The company continues to develop its assessment of the potential impacts of environmental related risks, including climate change. Based on the assessment, management has concluded that the impact of climate-related risk is not material to the financial statements in the short term.

We have performed a risk assessment of the financial impact of climate-related risk on the financial statements and concluded that there is currently no material impact arising from climate change. In doing so we considered the estimates and judgements applied to the financial statements and how climate risks impact their valuation. We assessed management's disclosure relating to climate risks in the note 3 of the financial statements and considered whether the information included in the disclosure is consistent with our understanding of the business and the financial statements.

8. Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 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 economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- results of our enquiries of management and the audit committee about their own identification and assessment of the continued breach of MCR and SCR as referenced in the strategic report and note 5 of the financial statements;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and

- the matters discussed among the audit engagement team and relevant internal specialists, including tax, actuarial, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of claims outstanding. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included those imposed by the Financial Conduct Authority ('FCA'), the Prudential Regulation Authority ('PRA'), Institute for the Supervision of Insurance ('IVASS'), Dirección General de Seguros y Fondos de Pensiones ('DGSFP') and the company's regulatory solvency requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of claims outstanding as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- assessing the impact of the breach of MCR and SCR on the risk rating of the audit and on the risks associated with certain account balances;
- reading minutes of meetings of those charged with governance and reviewing correspondence with the FCA, PRA and HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the board of directors on 9 December 2021 to audit the financial statements for the period ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, covering the year ending 31 December 2021 to the period ending 30 June 2023 respectively.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Claire Clough.

Claire Clough (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

13 October 2023

Profit and loss account for the 18 month period ended 30 June 2023

Technical Account – General Business	Notes	18 months to 30 Jun 2023 €'000	12 months to 31 Dec 2021 €'000
Earned premiums, net of reinsurance			
Gross premiums		-	-
Reinsurance premiums		-	(12)
		-	(12)
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	6,7	(29,892)	(26,689)
Reinsurers' share	6,7	3	28
		(29,889)	(26,661)
Change in the provision for claims, net of reinsurance			
Gross amount	6,7	27,894	(1,399)
Claims related expenses	6,7	3,093	4,041
Reinsurers' share	6,7	663	223
		31,650	2,865
Claims incurred, net of reinsurance		1,761	(23,796)
Net operating expenses	8	(5,167)	(1,970)
Total Technical charges		(5,167)	(1,970)
Balance on the technical account for general business		(3,406)	(25,778)
Non-Technical Account			
Balance on the technical account for general business		(3,406)	(25,778)
Investment (loss)/income	10	(197)	(165)
Other income		-	-
Foreign exchange gains/(losses)		(149)	2,039
Loss on ordinary activities before taxation		(3,752)	(23,904)
Tax on loss on ordinary activities	11	-	-
Loss for the financial period		(3,752)	(23,904)
Loss attributable to the shareholder		(3,752)	(23,904)

A statement of comprehensive income has not been prepared as there is no other comprehensive income for the current financial period and the preceding financial year other than as stated in the profit and loss account.

The notes on pages 27 to 45 form an integral part of the financial statements.

Balance sheet as at 30 June 2023

	Notes	30 Jun 2023 €'000	31 Dec 2021 €'000
Assets			
Investments			
Other financial investments	**13**	**5,446**	43,965
Reinsurers Share of Technical Provisions			
Claims outstanding	**15**	**888**	224
Debtors			
Debtors arising out of insurance operations		**1,902**	3,172
Debtors arising out of reinsurance operations		**-**	-
Other debtors	**5b**	**-**	297
Other assets			
Cash at bank and in hand	**5b**	**20,027**	14,079
Prepayments and accrued income			
Accrued interest		**60**	188
Total assets		**28,323**	61,925
Liabilities			
Capital and reserves			
Called up share capital	**14**	**-**	-
Capital contribution reserve		**53,980**	53,980
Profit and loss account		**(50,454)**	(46,702)
Total equity		**3,526**	7,278
Technical Provisions			
Claims outstanding – gross amount	**15**	**21,085**	52,078
Creditors			
Creditors arising out of insurance operations		**2,715**	1,342
Creditors arising out of reinsurance operations		**11**	5
Other creditors	**16**	**360**	368
Accruals and deferred income		**626**	854
Total liabilities		**24,797**	54,647
Total equity and liabilities		**28,323**	61,925

These financial statements on pages 23 to 45 were approved by the Board of Directors on 13 October 2023 and were signed on its behalf by:

M C Batten
Director

Statement of changes in equity for the 18 month period ended 30 June 2023

	Called up share capital €'000	Capital contribution reserve €'000	Profit and loss account €'000	Total Equity €'000
Balance as at 1 January 2021	-	53,980	(22,798)	31,182
Loss for the financial year	-	-	(23,904)	(23,904)
Dividends	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-
Balance as at 31 December 2021	-	53,980	(46,702)	7,278

	Called up share capital €'000	**Capital contribution reserve €'000**	**Profit and loss account €'000**	**Total Equity €'000**
Balance as at 1 January 2022	**-**	**53,980**	**(46,702)**	**7,278**
Loss for the financial period	**-**	**-**	**(3,752)**	**(3,752)**
Dividends	**-**	**-**	**-**	**-**
Total transactions with owners, recognised directly in equity	**-**	**-**	**-**	**-**
Balance as at 30 June 2023	**-**	**53,980**	**(50,454)**	**3,526**

The notes on pages 27 to 45 form an integral part of the financial statements.

Statement of cash flows for the 18 month period ended 30 June 2023

	18 months to 30 Jun 2023 €'000	12 months to 31 Dec 2021 €'000
Loss on ordinary actives before tax	**(3,752)**	(23,904)
Adjustments for:		
Investment Income	**197**	165
Other Income	**-**	-
Foreign Exchange (gains)/ losses	**149**	(2,039)
(Increase)/ decrease in trade and other receivables	**1,567**	(672)
Increase/ (decrease) in trade and other payables, including insurance & reinsurance	**1,143**	1,618
(Decrease)/ increase in insurance liabilities, including reinsurance assets	**(31,658)**	(2,712)
Net cash flows from operating activities	**(32,354)**	(27,544)
Interest received	**351**	405
Net proceeds from sale, maturity & purchase of invested assets	**38,100**	29,648
Net cash flows from investing activities	**38,451**	30,053
Dividends paid	**-**	-
Net cash flows from financing activities	**-**	-
Net movement in cash at bank in hand	**6,097**	2,509
Cash at bank and in hand at beginning of year	**14,079**	11,342
Net movement in cash at bank and in hand	**6,097**	2,509
Net impact of foreign exchange fluctuations	**(149)**	228
Cash at bank and in hand at the end of year	**20,027**	14,079

The notes on pages 27 to 45 form an integral part of the financial statements.

Notes to the financial statements for the 18 month period ended 30 June 2023

1 General Information

Reliance National Insurance Company (Europe) Limited is a general insurance company in run-off in the UK. The company is a private company limited by shares and is incorporated in England. The address of its registered office 4th Floor, 52-54 Gracechurch Street, London, EC3V 0EH.

2. Statement of Compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102''), Financial Reporting Standard 103, "Insurance Contracts" (FRS 103) and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

b. Going concern

Having assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements noting that:

- The Company's estimates of future claim costs are subject to material uncertainty.
- In the event future claim and expense costs are in excess of the assets available to the Company, the Company may be unable to meet its debts as they fall due.
- The Company continues to be in breach of its regulatory Solvency Capital Requirement and Minimum Capital Requirement.

During the prior year the Company incurred a loss which was primarily attributable to material adverse claims deterioration and additional operational and claims handling expenses on its Italian medical liability exposures. A consequence of the losses that the Company experienced is that it now has limited surplus assets available to absorb any unanticipated adverse developments in the cost of settling claims. The company also continues to breach its Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR). A remediation plan was developed and implemented in the second half of 2021 which was intended to restore the Company to a more stable financial position. This plan includes proactively seeking to accelerate settlement of claims and thereby reduce the risk and costs associated with these exposures. Additional elements of the plan include seeking to commute portfolios of claims with individual policyholders and pro-actively seeking recoveries where these are available.

In addition to the remediation plan which is already in the process of implementation, the Company has developed a plan to implement a solvent Scheme of Arrangement of its Medical Liability exposures which is subject to obtaining the approval of the Court, the Company's regulators and sufficient support from policyholders who are creditors. The Scheme is intended to facilitate the conclusion of the run off of the Company in a solvent and orderly manner.

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

3. Summary of significant accounting policies (continued)

b. Going concern (continued)

The Company's estimates of future claim costs are highly sensitive to several assumptions including assumptions relating to future litigation outcomes, the ability of the Company to enforce coverage exclusions on claims made outside the policy notification period, changes in compensation costs awarded by the courts, the impact of future inflation, and the length of time and hence expense required to complete the run-off of the Company's insurance liabilities. There continues to be material uncertainty therefore in the company's estimates of future claim costs.

The Directors have reviewed and updated the assumptions used in estimating its future liabilities in the light of experience in the period, the reduction in the number and value of open claims and other changes in the external environment. While the Directors consider the assumptions outlined above have been made to be at a best estimate, the uncertainty inherent in these judgements is such that it could have a material impact on the estimated cost of future claims.

The Directors have exercised a judgement that the Company will be able to obtain sufficient support from its Medical Liability policyholders to implement the proposed solvent Scheme of Arrangement and will therefore be able to reduce the length of time and hence cost required to wind down the Company's activities. If the Scheme is not implemented it is expected that the ultimate future costs required to run-off the Company's business would more likely than not exceed the assets available to pay them, and the Directors would be in all probability resolve to place the Company in administration. In those circumstances it is expected that policyholders would face a worse outcome than would be the case if the proposed solvent Scheme of Arrangement is implemented. The Directors therefore are of the view that a sufficient number of Medical Liability policyholders will consider a solvent Scheme of Arrangement to be in their best interests and will vote in favour of it.

Given the limited surplus assets available to absorb any unanticipated adverse developments which could arise in the next 12 months, this indicates a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the uncertainties described above, the Directors have concluded that there is a reasonable prospect that the Company has adequate resources to continue as a going concern and have adopted the going concern basis of preparation in the financial statements.

In reaching their conclusion, no other non-remote non-financial business risks have been identified which could have a sufficiently material impact on solvency or liquidity to call into question the Company's ability to continue to trade as a going concern.

c. Foreign currency

The Company's functional currency is considered to be Euros, being the currency of the primary economic environment in which the Company operates.

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

3. Summary of significant accounting policies (continued)

c. Foreign currency (continued)

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. For this purpose, all assets and liabilities arising from insurance contracts are monetary items. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies to the reporting currency are recognised in the Profit and Loss Account for the period.

d. Insurance contracts

The Company is in run-off and no longer issues contracts of insurance.

a) Claims incurred

Claims incurred comprise claims and related expenses paid in the period and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years.

b) Claims provisions

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company ("IBNR") and provision for future directly attributable claims related expenses and claims management expenses expected to be incurred over the lifetime of each claim. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims' exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened.

Classes of business such as medical liability will typically display high variations between initial estimates and final outcomes because of the greater degree of difficulty in estimating these reserves given they typically arise from underlying litigation against policyholders whose outcome is inherently uncertain. In calculating the estimated cost of unpaid claims, the Company uses a variety of estimation techniques, generally based upon statistical analysis of historical experience. Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with previous periods;
- changes in the legal environment;
- the effects of inflation; and
- the length of time and consequent cost required to defend and manage claims.

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

3. Summary of significant accounting policies (continued)

d. Insurance contracts (continued)

The largest component of these estimation techniques is usually the estimation of the cost of claims which have been notified but not yet paid. In estimating the cost of these, the Company has regard to the claim circumstance as reported, any information available from legal advisers and information on the cost of settling claims in previous periods with similar characteristics.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

e. Taxation

Current tax, including UK Corporation tax, is provided at amounts expected to be paid or recovered, using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

f. Cash and cash equivalents

Cash and cash equivalents comprise deposits held at call with banks and fixed term deposits.

g. Provisions and contingencies

Provisions are recognised where the Company has a present legal or constructive obligation as a result of past events; it is probable than an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

h. Investment return

Interest and expenses are accounted for on an accruals basis.

i. Share capital

Ordinary shares are classified as equity.

j. Distributions to equity holders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

3. Summary of significant accounting policies (continued)

k. Related party transactions

The Company elects under FRS102 Chapter 33.1a not to disclose related party transactions between itself, ILS Property & Casualty Re Limited Investments or their respective subsidiaries (the “Group”). The Company has chosen to apply the recognition, measurement, and disclosure requirements of FRS 102 in respect of financial instruments.

l. Financial Instruments

The Company has chosen to apply the recognition, measurement, and disclosure requirements of FRS 102 in respect of financial instruments.

m. Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument.

Financial assets comprise financial investments and debtors arising out of (re)insurance operations. The fair value measurements of the financial investments are based on the quoted price in an active market. Receivables arising from (re)insurance contracts are reviewed for impairment and the basis of valuation is viewed by the Directors as being prudent as regards the likely realisable value. Financial assets are subsequently stated at amortised cost, using the effective interest method.

Financial assets are derecognised where the rights to receive cash flows from the asset have expired or substantially all the risks and rewards of the ownership of the asset are transferred to another party.

Financial liabilities comprise creditors arising out of (re)insurance operations and are recognised initially at fair value, net of directly attributable transaction costs. Financial liabilities are subsequently stated at amortised cost, using the effective interest method.

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled, or expires.

Financial assets and liabilities are offset and the net amounts are presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

n. Change of reporting date

The Company has changed its reporting date to 30 June, to enable a more current view of its financial position to be available to creditors when considering the proposed Solvent Scheme of Arrangement.

The current results represent the 18 month period from 1 January 2022 to 30 June 2023. Prior year results represent the 12 month period from 1 January 2021 to 31 December 2021. Therefore, only Balance Sheet items can be used for comparative purposes.

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

3. Summary of significant accounting policies (continued)

o. Climate related risks

The Company considers the impact that climate related risks may have on the valuation of its assets and liabilities. Given the Company's plan to exit its insurance liabilities outlined in the Strategic Report above, the nature of its insurance business which relates to policies whose coverage period expired many years ago, its small operational footprint and investment policy to reinvest the proceeds of maturing investments in cash or fixed term deposits, the Company has identified no material climate related risks which would require such adjustment**.**

4. Critical accounting judgements and estimation uncertainty

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability including direct claims handling and claims management costs arising from claims made under insurance business assumed and previously underwritten is the Company's most critical accounting estimate.

The Company's provisions for claim payments consist of the following components:

- Claims that have already been notified are provided for individually as case estimates on a realistic outcome basis.
- The case estimation process includes estimates of amounts recoverable on previously paid claims where legal advice suggests there is a high probability that appeals to a higher court will overturn or mitigate previous awards, and estimates of potential recoveries from third parties;
- Based on past experience, a provision is also made for anticipated revisions to these case estimates, including the impact of future inflation;
- A best estimate provision is made for anticipated claims that have yet to be notified to the Company as at the balance sheet date. The estimates used to calculate these provisions are based on historical experience;
- Gross claims provisions allow for self-insured retentions and deductibles, which are specific to the relevant policy;
- Reinsurance recoveries are estimated on a case-by-case basis for known claims;
- A provision is made for direct claims handling expenses and for estimated future claims management costs which cannot be directly attributed to individual claims, including estimates of the potential to recover costs incurred on litigation where a claim is successfully defended; and
- The impact of the plan to implement a solvent Scheme of Arrangement has been considered in developing the claims provision. While it is not anticipated that this will have a material impact on estimates of indemnity related claim liabilities, it is anticipated that the Company will achieve material reductions in future direct claims handling costs and claims management expenses compared with a scenario in which the Company is unable to implement a Scheme.

Whilst the Directors consider that the gross provision for claims and the related recoveries are fairly stated on the basis of the information currently available to them, there is inherent uncertainty in relation to the ultimate liability which will vary as a result of subsequent information and events and may result in material adjustments to the amount provided.

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

4. Critical accounting judgements and estimation uncertainty (continued)

Adjustments to the amount of the provisions are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. For quantification and assessment of the estimation uncertainty in relation to the ultimate liability arising from claims made under insurance contracts, please see note 5.

The Company recognises debtors arising out of insurance operations when the likelihood of such recovery is virtually certain. Consideration of the counterparties, contractual arrangements in place, and historic collection performance inform judgements made with respect to any bad debt provisions which may be required.

There are no other material balances subject to judgement or estimate.

5. Management of insurance and financial risk

a. Insurance Risk

The Company issued contracts that transferred insurance risk. This section summarises this risk and the way the company manages it.

Frequency and severity of claims

The remaining Employers Liability business continues to be run off and there has been a small improvement in reserves albeit there are very few reported claims and the overall reserves held for this business are very low. The Medical Liability book has circa 400 open claims with the last underwriting year being 2013. Whilst in theory there should be no new claims due to the contractual requirement that a claim must be notified within a maximum of two years of the event or action, in practice there have been a small number of new claims due to late reporting, though the cost of those claims has been minimal net of deductibles. There may also be instances where circumstances can lead to the re-opening of a claim.

The following tables disclose the geographic concentration of insurance liability by type of risk. The amounts are the carrying amount of outstanding claims gross and net of reinsurance arising from insurance contracts.

Year ended 30 June 2023

	3rd Party liability		**Medical liability**		**Total**	
Territory	Gross	Net	Gross	Net	**Gross**	**Net**
	€'000	€'000	€'000	€'000	**€'000**	**€'000**
United Kingdom	13	13	-	-	**13**	**13**
Italy	-	-	19,820	18,932	**19,820**	**18,932**
Spain	-	-	1,252	1,252	**1,252**	**1,252**
	13	13	21,072	20,184	**21,085**	**20,197**

Year ended 31 December 2021

	3rd Party liability		**Medical liability**		**Total**	
Territory	Gross	Net	Gross	Net	**Gross**	**Net**
	€'000	€'000	€'000	€'000	**€'000**	**€'000**
United Kingdom	60	60	-	-	**60**	**60**
Italy	-	-	50,636	50,412	**50,636**	**50,412**
Spain	-	-	1,382	1,382	**1,382**	**1,382**
	60	60	52,018	51,794	**52,078**	**51,854**

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

5. Management of insurance and financial risk (continued)

a. Insurance Risk (continued)

The sources of estimation uncertainty in establishing the ultimate liability arising from claims made under insurance contracts are discussed in Note 4.

The risk that claims have been systemically under reserved or that there is a significant increase in claims inflation could have a material impact on claims provisions. During the prior year, there was a significant increase in outstanding claims as a result of specific increases on several individual Spanish and Italian claims, largely as a result of the receipt of updated claims information and adverse court decisions. Management does not consider there to be systematic under reserving resulting from the updated claims information and court decisions. While claims inflation remains a risk, the Company is not aware of any current issues that might lead to a significant increase.

The technical provisions relating to the Company's insurance liabilities include the indemnity cost of settling claims, directly attributable expenses (eg. legal and expert costs) and the claims management costs associated with administering these claims. There can be considerable variation in the cost of individual claims, which may be affected by a number of factors including future litigation outcomes, the ability of the Company to enforce coverage exclusions on claims made outside the policy notification period, changes in compensation costs awarded by the courts, the impact of future inflation, and the length of time and hence expense required to administer the run-off of the Company's insurance liabilities.

The estimates used to calculate technical provisions are based on historical experience. While this may be a useful guide, there is no guarantee that future experience will be consistent with past experience. The technical provisions represent a best estimate from within a range of possible outcomes. As noted above, there are a number of different factors which will affect the cost of settling future claims, the estimation of each of which is uncertain. Therefore there is material uncertainty in the Company's estimates of future claim costs.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims' exposures. However, given the uncertainty in establishing claims' provisions, it is likely that the final outcome will prove to be different from the original liability established.

Process used to decide on assumptions

While the technical provisions are estimated using standard actuarial techniques for estimation of non-life insurance liabilities, the input assumptions used in performing these calculations require a high degree of judgement.

The Medical Liability portfolio was written on a claims made basis and underwriting ceased in 2013. On occasion, valid claims may arise on new or reopened claims, however the majority of IBNR is in respect of deterioration of existing claims. As the volume of open claims reduces, the volatility in the reserves is expected to increase due to fluctuations in the value of individual claims having a greater proportionate impact on overall reserves.

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

5. Management of insurance and financial risk (continued)

a. Insurance Risk (continued)

Overall gross technical provisions are calculated on a best estimate basis, using the following methods:

- Indemnity reserves for existing claims are set individually on a realistic basis using judgement and the latest available information;
- Future deterioration or savings in existing claims are taken into account using an average cost per claim method by injury type, including an allowance for notified claims which are expected to close without indemnity payment;
- An incurred but not reported reserve is held for additional claim amounts being notified on previously closed claims and for claims not yet notified to the Company based on a projection of the number of new or reopened claims likely to result in an indemnity payment and the associated average cost per claim by injury type; and
- The impact of deductibles and self-insured retentions is assessed on a case-by-case basis for existing claims.
- Gross technical provisions include future claim handling costs over the expected duration of the claims run-off period consisting of both unallocated fees for claims handling services and ("ULAE") and a provision for Allocated Loss Adjustment Expenses ("ALAE"). ALAE is made up of legal fees, medical expert fees, registration taxes and TPA fees expected to be incurred during the remaining run off period. ALAE is calculated based on realistic claim specific case reserves assessed considering the individual circumstances of each claim plus a provision for additional ALAE costs likely to be incurred based on the estimated future reduction in the number of open claims, the average rate at which additional ALAE costs are incurred and an estimate of the length of time the Company will continue to incur directly attributable defence costs arising from underlying claims against policyholders.

Sensitivity analysis

The following table presents the sensitivity in the value of insurance liabilities to movements in the assumptions used in the estimation of insurance liabilities.

The sensitivities to economic movements relate mainly to Medical Liability business given that this is the Company's most material book of business.

2023 Impact on profit after tax and equity (€'000)	10% increase in gross indemnity reserves	10% reduction in gross indemnity reserves
Gross of reinsurance	(1,437)	1,437

Claim development table

The tables reflect the claims development since the Part VII transfer. The payments and liabilities prior to the transfer are not material. Ultimate claims costs are shown at point of transfer in, with cumulative payments to date being shown from the date of transfer in.

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

5. Management of insurance and financial risk (continued)

a. Insurance Risk (continued)

Claims outstanding (gross)

Underwriting Year	**2004 €'000**	**2005 €'000**	**2006 €'000**	**2007 €'000**	**2008 €'000**	**2009 €'000**	**2010 €'000**	**2011 €'000**	**2012 €'000**	**2013 €'000**	**Total €'000**
Estimate of ultimate claims costs;											
- at end of reporting year											
- 6 years later										175	
- 7 years later									855	262	
- 8 years later								4,360	784	617	
- 9 years later							5,161	4,239	2,549	653	
- 10 years later						8,773	4,701	6,117	2,603	932	
- 11 years later					12,644	11,407	8,357	11,052	3,171		
- 12 years later				8,821	13,224	17,069	10,275	10,011			
- 13 years later			5,724	7,698	16,087	18,917	10,096				
- 14 years later		2,960	5,015	8,976	23,307	21,966					
- 15 years later	373	3,700	5,283	16,352	22,459						
- 16 years later	418	3,502	7,214	16,305							
- 17 years later	799	4,179	7,595								
- 18 years later	1,869	4,157									
- 19.5 years later	1,785										
Current estimate of cumulative claims	1,785	4,157	7,595	16,305	22,459	21,966	10,096	10,011	3,171	932	98,475
Cumulative payments to date	(1,658)	(3,734)	(7,233)	(15,387)	(19,291)	(16,071)	(9,141)	(8,393)	(2,458)	(808)	(84,172)
Liability recognised in the balance sheet	**127**	**423**	**362**	**918**	**3,168**	**5,895**	**955**	**1,618**	**713**	**124**	**14,303**
Unallocated loss adjustment expenses											6,712
Provisions in respect of prior years											70
Total provision included in balance sheet											**21,085**

Claims outstanding (net)

Underwriting Year	**2004 €'000**	**2005 €'000**	**2006 €'000**	**2007 €'000**	**2008 €'000**	**2009 €'000**	**2010 €'000**	**2011 €'000**	**2012 €'000**	**2013 €'000**	**Total €'000**
Estimate of ultimate claims costs;											
- at end of reporting year											
- 6 years later										175	
- 7 years later									855	234	
- 8 years later								4,360	516	617	
- 9 years later							5,161	3,857	2,549	653	
- 10 years later						8,768	4,239	6,117	2,603	932	
- 11 years later					12,644	10,294	8,356	11,052	3,171		
- 12 years later				8,425	12,639	16,135	10,275	10,011			
- 13 years later			5,363	7,374	16,087	17,750	10,096				
- 14 years later		2,690	4,519	8,976	23,308	20,135					
- 15 years later	373	2,476	5,281	16,351	22,458						
- 16 years later	402	3,448	7,193	16,304							
- 17 years later	799	4,125	7,573								
- 18 years later	1,869	4,102									
- 19.5 years later	1,785										
Current estimate of cumulative claims	1,785	4,102	7,573	16,304	22,458	20,135	10,096	10,011	3,171	932	96,568
Cumulative payments to date	(1,658)	(3,679)	(7,230)	(15,386)	(19,291)	(15,108)	(9,141)	(8,393)	(2,459)	(808)	(83,153)
Liability recognised in the balance sheet	**127**	**423**	**343**	**918**	**3,167**	**5,028**	**955**	**1,618**	**712**	**124**	**13,415**
Unallocated loss adjustment expenses											6,712
Provisions in respect of prior years											70
Total provision included in balance sheet											**20,197**

b. Financial risk management objectives

The Company is exposed to a limited range of financial risks. In particular, the key financial risk is currency fluctuations arising from holding capital in excess of insurance reserves in foreign currency.

Currency risk

The Company manages its foreign exchange risk against its functional currency. Foreign exchange gains or losses arise when recognised assets are denominated in a currency that is not the entity's functional currency. Where applicable, the Company seeks to mitigate the risk by matching estimated liabilities with assets denominated in the same currency. At 30 June 2023, if the US Dollar had weakened by 15% against the Euro with all other variables held constant, the loss for the year would have been €2,000 higher (31 December 2021: €822,000 higher). If the Pound Sterling weakened by 15% against the Euro, the loss for the year would have been €367,000 lower (31 December 2021: €203,000 higher), primarily as a result of net foreign exchange gains/ losses on the translation of US Dollar financial assets and liabilities and Pound Sterling financial assets and liabilities.

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

5. Management of insurance and financial risk (continued)

b. Financial risk management objectives (continued)

Liquidity risk

The primary liquidity risk is an obligation to pay claims to policyholders as they fall due. The Company mitigates this risk by holding cash and cash equivalents that enable it to meet expected claims and expenses for at least the next 3 months. The accruals and deferred income at the balance sheet date are expected to be settled or realised within 12 months. In the normal course of business, claims outstanding by their nature are likely to settle over a significantly longer period, as and when claims are presented and agreed. The Company has increased the proportion of cash it holds in anticipation that claim outflows will be accelerated if the proposed solvent Scheme of Arrangement is approved.

Credit risk

The Company's financial assets are comprised of bank balances, investments, reinsurance receivables, and deductible debtors. The most material credit risk is considered to be in relation to cash balances and investments. The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counter parties, and to geographical and industry segments.

The Company accepts the concentration risk arising from holding its cash and fixed term deposits with two different banks. Such risks are subject to regular review by the Board.

Some credit risk also exists in relation to deductible debtors due from policyholders (primarily Italian public hospitals), which is managed by monitoring the payment history of policyholders and recognising bad debt provisions if appropriate. The credit risk associated with reinsurance balances is minimal given the limited scope of the reinsurance programme and the fact that it is placed with high quality providers.

The assets bearing material credit risk at the balance sheet date are summarised below, together with an analysis by credit rating:

	30 Jun 2023 €'000	31 Dec 2021 €'000
Cash at bank and in hand	**20,027**	14,079
Investments	**5,446**	43,965
Deductible debtors	**1,606**	3,172
Insurance debtors	**296**	-
Other receivables	**-**	297
Total assets bearing credit risk	**27,375**	61,513

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

5. Management of insurance and financial risk (continued)

b. Financial risk management objectives (continued)

Credit risk (continued)

	30 Jun 2023 €'000	31 Dec 2021 €'000
AAA	**-**	14,402
AA+	**-**	-
AA	**-**	1,719
AA-	**3,661**	10,520
A+	**-**	5,811
A	**18,504**	11,299
A-	**854**	8,716
BBB+	**2,454**	2,567
BBB	**-**	3,010
Not rated (Deductible and Insurance debtors)	**1,902**	3,469
Total assets bearing credit risk	**27,375**	61,513

Capital Management

The Company maintains an efficient capital structure consistent with the Company's risk profile and the regulatory and market requirements of its business. The Company's objectives in managing its capital are:

- to satisfy the requirements of its policyholders and regulators, and;
- to manage exposures to movement in exchange rates.

The Company is subject to Solvency II regulations. The Company is required to meet a Solvency Capital Requirement (SCR) which is calibrated to having a 99.5% confidence limit that the Company can meet its obligations over a 12-month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations as the assumptions underlying the standard formula are considered to be a reasonable fit for the Company's risk profile.

Following the latest review of its exposures, the Company has determined that it continues to be in breach of its SCR and its Minimum Capital Requirement ("MCR"). All Own Funds are eligible Tier 1 and consist of paid in share capital, capital contributions and retained earnings. The SCR calculation is not subject to audit.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices in an active market (Level 1), and;
- Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market date) for the asset or liability, either directly or indirectly (Level 2), and;
- Use of a valuation technique if there is no active market or other transactions which are a good estimate of fair value (Level 3).

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

5. Management of insurance and financial risk (continued)

b. Financial risk management objectives (continued)

Fair value estimation (continued)

30 June 2023	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Financial assets at fair value with changes recognised through profit or loss	5,446	-	-	5,446
	5,446	-	-	5,446

31 December 2021	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Financial assets at fair value with changes recognised through profit or loss	43,965	-	-	43,965
	43,965	-	-	43,965

- The fair value of financial instruments traded in active markets is based on quoted prices at the balance sheet date as described in Note 3(m). These instruments are included at Level 1 and comprise corporate and government bonds.

6. Particulars of business

Gross claims incurred, gross operating expenses and reinsurance balance by class of business

	Gross claims incurred		**Gross operating expenses**		**Reinsurance balance**	
	30 Jun 2023 €'000	31 Dec 2021 €'000	**30 Jun 2023 €'000**	31 Dec 2021 €'000	**30 Jun 2023 €'000**	31 Dec 2021 €'000
Third party liability	**35**	(18)	**(152)**	(1)	**-**	-
Medical liability	**1,060**	(24,029)	**(5,015)**	(1,969)	**666**	239
	1,095	(24,047)	**(5,167)**	(1,970)	**666**	239

The reinsurance balance represents the credit to the technical account from the aggregate of all items relating to reinsurance outwards.

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

7. Movement in prior year's provision for claims outstanding

As the Company ceased underwriting in 2013, the provision for claims outstanding is solely made up of old claims and therefore any movement in the period represents a movement in the prior year's provision. With the focus on proactively seeking to accelerate settlement of claims and a re-estimation of future claims cost following actuarial review, there was a decrease in the projected ultimate claims cost compared with projected ultimate claims cost underlying provisions at 31 December 2021, resulting in an incurred claims saving gross of insurance of €1,095,000.

Incurred claims, gross of reinsurance

	30 Jun 2023 €'000	31 Dec 2021 €'000
Third-party liability	**35**	(18)
Medical liability	**1,060**	(24,029)
	1,095	(24,047)

8. Expenses

Net operating expenses

	30 Jun 2023 €'000	31 Dec 2021 €'000
Net operating expenses	**5,167**	1,970
	5,167	1,970

Net operating expenses above include the following amounts:

Claims management fees	**2,055**	771
Directors' fees	**516**	130
Administration of run-off	**1,910**	875

Claims management fees were paid to Premia UK Services Company Limited for providing run-off services to Reliance National Insurance Company (Europe) Limited for the period from 1 January 2022 to 30 June 2023.

Auditor's remuneration

During the period the Company obtained the following services from the Company's auditors at costs as detailed below:

	30 Jun 2023 €'000	31 Dec 2021 €'000
Fees payable to the Company's auditors for the audit of the Company and financial statements	**281**	199
Fees payable for non-audit services	**-**	-
	281	199

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

8. Expenses (continued)

Operating leases

The responsibility for operating leases resides with Premia as the current Run-off Services provider, in accordance with its service level agreement. This expense forms part of the administration run-off costs.

9. Employees and directors

Employees

Reliance National Insurance Company (Europe) Limited had no employees during the period.

Directors

B S Huntington and J C Williams are both employed by ILS Investments Limited (Bermuda). A J Thompson has the role of executive chair on a temporary basis. M C Batten is an independent director. S A Wrenn was an independent director.

The aggregate amount of remuneration paid to or received by directors in respect of qualifying services during the period was €456,000 (2021: €201,000).

The highest paid director received remuneration of €212,000 (2021: €94,000) and pension contributions of £nil (2021: £nil) for the period.

10. Investment and other income

Investment income	**30 Jun 2023 €'000**	31 Dec 2021 €'000
(Loss)/return from financial assets at fair value with changes recognised through profit and loss	**(197)**	(165)
Total investment (loss)/return	**(197)**	(165)

11. Tax on loss on ordinary activities

	30 Jun 2023 €'000	31 Dec 2021 €'000
UK corporation tax at 20.00% (2021: 19.00%)		
Current tax on income for the period	**-**	-
Tax on loss on ordinary activities	**-**	-

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

11. Tax on loss on ordinary activities (continued)

Factors affecting tax charge for the period

The tax credit (2021: credit) for the period is lower (2021: lower) than that resulting from applying the standard rate of corporation tax in the UK of 25.00% (2021: 19.00%).

The differences are explained below:

	30 Jun 2023 €'000	31 Dec 2021 €'000
Non-technical account		
Loss on ordinary activities before taxation	**(3,752)**	(23,904)
Corporation tax at 20.00% (2021: 19.00%)	**(750)**	(4,542)
Factors affecting charge:		
Permanent differences	**-**	-
Capital allowances in excess of depreciation	**(3)**	(3)
Movement in short-term timing differences	**-**	-
Unutilised taxable losses	**753**	4,545
Current tax credit for the period	**-**	-

On 3 March 2021 the Chancellor confirmed an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023.

Factors that may affect the future tax charge

A potential deferred tax asset of €19,206,000 (31 December 2021: €18,313,000) in respect of certain unutilised tax losses has not been recognised as there is insufficient evidence that it will be recoverable. This asset would be recoverable should sufficient taxable profits be generated in the future which would be eligible for relief against the unutilised tax losses.

	30 Jun 2023 €'000	31 Dec 2021 €'000
Losses – trading and capital losses	**19,185**	18,290
Depreciation in excess of capital allowances	**21**	23
Total un-provided deferred tax assets	**19,206**	18,313

Deferred tax
As noted above, no deferred tax has been provided for (31 December 2021 : €nil).

12. Dividends on equity shares

The directors do not propose a dividend in respect of the period ended 30 June 2023 (31 December 2021 : €nil).

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

13. Other financial investments

	Carrying Value		Cost	
	30 Jun 2023 €'000	31 Dec 2021 €'000	**30 Jun 2023 €'000**	31 Dec 2021 €'000
Financial investments at fair value through profit or loss	**5,446**	43,965	**5,680**	44,238
Total financial investments	**5,446**	43,965	**5,680**	44,238

Corporate and government bonds held at the year-end are considered to be Level 1 assets under the FRS 102 fair value hierarchy, meaning that quoted prices for an identical asset exist in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

14. Called up Share capital

	30 Jun 2023	31 Dec 2021
Authorised:		
Ordinary shares of £1 each	**100,000**	100,000

	30 Jun 2023 €'000	31 Dec 2021 €'000
Called up and allotted:		
100 (2020: 100) ordinary shares of £1 each fully paid	**-**	-
	-	-

15. Reconciliation of Insurance balances

The reconciliation of opening and closing provision for claims is as follows;

	Gross		Reinsurers' share	
	30 Jun 2023 €'000	31 Dec 2021 €'000	**30 Jun 2023 €'000**	31 Dec 2021 €'000
At 1 January	**52,078**	54,567	**224**	1
Claims paid	**(29,892)**	(26,689)	**(3)**	(28)
Increase in provision for claims	**1,998**	28,087	**667**	251
Decrease in provisions for ULAE and ALAE	**(3,093)**	(4,041)	**-**	-
Foreign exchange movements	**(6)**	154	**-**	-
At 30 June / 31 December	**21,085**	52,078	**888**	224

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

15. Reconciliation of Insurance balances (continued)

The provision for claims is comprised as follows:

	Gross		Reinsurers' share	
	30 Jun 2023 €'000	31 Dec 2021 €'000	**30 Jun 2023 €'000**	31 Dec 2021 €'000
Provision for outstanding claims	**16,119**	39,110	**888**	224
Provision for IBNR	**(1,746)**	3,158	**-**	-
Provision for ULAE and ALAE	**6,712**	9,810	**-**	-
Total provision for claims	**21,085**	52,078	**888**	224

For quantification and assessment of the estimation uncertainty in relation to the ultimate liability arising from claims made under insurance contracts, please see note 5

16. Other creditors

	30 Jun 2023 €'000	31 Dec 2021 €'000
Other creditors	**360**	368
	360	368

The Company has provided a guarantee for certain potential future liabilities, supported by a letter of credit issued by the Company's bankers. The outstanding amount as at 30 June 2023 was €360,314 (31 December 2021: €368,298). The collateral asset held in cash by the Company's bankers in connection with the above is €370,906 (31 December 2021: €382,416).

17. Operating leases

Reliance National Insurance Company (Europe) Limited does not have any operating lease commitments.

18. Controlling parties

The Owner of Reliance National Insurance Company (Europe) Limited throughout the period was ILS Property and Casualty Re Limited; a Bermuda licensed and incorporated reinsurer. The Owner is an indirect wholly owned subsidiary of ILS Property and Casualty Fund Limited, a Cayman based passive investment vehicle ("ILS Fund"). As the Fund is a passive investment vehicle, all day-to-day activities, including all investment decisions of the ILS Fund and of the Owner reside in the sub advisor to the Fund, ILS Investment Management Limited, a Bermuda based company ("ILS IM"). The controller of the Owner is ILS IM via a sub-advisory agreement. ILS IM is a wholly owned subsidiary of Trebuchet Group Holdings Limited; a Bermuda incorporated company ("Trebuchet Holdings"). Trebuchet Holdings is the ultimate controller of licenced (re)insurers in Bermuda, the Cayman Islands, Ireland, Mexico, the United Kingdom, and the USA. Trebuchet Holdings is controlled by Mr B S Huntington.

Notes to the financial statements for the 18 month period ended 30 June 2023 (continued)

19. Related party transactions

The Company has taken advantage of the exemption under FRS 102 chapter 33 available to wholly owned subsidiary companies not to disclose related party transactions between itself, ILS Property & Casualty Re Limited Investments or their respective subsidiaries. There have been no related party transactions with entities outside of this group.

The largest and smallest financial statements into which these financial statements are consolidated is ILS Property & Casualty Reinsurance Limited. The financial statements of ILS Property & Casualty Reinsurance Limited can be obtained from; Aon House, 30 Woodbridge Avenue, Hamilton HM08, Bermuda.

20. Subsequent events

The owner of the Company, namely ILS Property and Casualty Re Limited, executed the sale of 100% of the share capital of Reliance National Insurance Company Europe Limited on 12 July 2023. The acquirer Quest Group Holdings Limited is a company incorporated in the United Kingdom.

Completion of the sale triggered payment of contingent liabilities of €0.5m due to 3rd parties, which included related parties. In accordance with FRS 102.21.1, these contingent amounts were not recognised at 30 June 2023.

Further information regarding this transaction is included in the Strategic Report on page 3.