Reliance National Insurance Company (Europe) Limited

Solvency and Financial Condition Report
30 June 2023

Date: October -2023

Table of Contents

Summary

This report forms part of the annual submission to the Prudential Regulatory Authority ("PRA") under the annual submission requirements of Solvency II. This report outlines the financial condition of Reliance National Insurance Company (Europe) Ltd ("RNICE" or the "Company"). All figures are as at 30 June 2023, unless otherwise stated. The Company's functional and presentation currency is Euro.

Business and Performance

The principal activity of the Company is the run-off of general insurance 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 Its authorisation to write new and renewal business was withdrawn by the Financial Services Authority on 30 November 2001, at the Company's request.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 Insurance Europe Limited ("QIEL") between 2002 and 2013 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 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 outstanding policyholder obligations consist of the following:

- An Italian medical liability portfolio consisting of approximately 400 open claims
- A Spanish medical liability portfolio consisting of approximately 10 open claims
- A small number of UK Employers' Liability policies underwritten between 1992 and 2001.

Following a material deterioration in its financial position during 2021, the Company has limited surplus assets available to absorb any further unanticipated adverse developments in its business and is now in breach of its minimum regulatory capital requirements. A remediation plan has been implemented which is 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 made substantial progress in reducing the Company's exposure to claims indemnity as reflected in a 61% reduction in the value of net indemnity case reserves and closure of 217 claims since 31 December 2021 as well as identification of potential recoveries on adverse judgements likely to be overturned on appeal and from third parties.
- Developing an exit strategy which will allow the Company to achieve substantial future savings on both its claims related expenses and the costs associated with maintaining a regulated insurance entity, thereby maximising resources available to meet its policyholder obligations. The Company has begun preparations to implement a solvent Scheme of Arrangement which will resolve its Italian and Spanish medical liability exposures and has identified a method through which it can address its exposure to UK employers' liability and allow the Company to seek to be de-authorised.

Notwithstanding the impact of the remediation plan in reducing exposures and allowing the Company to anticipate significant reductions in management expenses, at 30 June 2023 the Company remains in breach of its minimum capital requirement. The Company continues to be exposed to material uncertainties with respect to future events and conditions arising from both litigation outcomes on claims made against the Company's policyholders and with respect to the successful execution of its exit plan, which is dependent on

achieving the support of policyholders, regulators and the UK court. While it is considered more likely than not that the Company will be able to meet its contractual obligations to policyholders and its other creditors in full, the potential impact of these uncertainties creates a material risk that the Company will not be able to pay policyholders in full in respect of their agreed claims.

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 the 31 December 2021.

During the period the Company's Own Funds reduced by €1.9m to €1.3m. The fall in Own Funds is primarily attributable to revisions to estimates of future direct claims related costs and management overheads including the costs to implement its exit strategy. Provisions held within the balance sheet anticipate future savings resulting from implementation of the Scheme of Arrangement and the cost of exiting its Employers Liability exposures, thereby enabling the Company to seek to be de-authorised.

System of governance

ILS Property and Casualty Re Limited ("ILS P&C") was the 100% owner of the Company during the 18 month reporting period. ILS P&C 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 ("Quest") is a company incorporated in the United Kingdom.

During the reporting period the day-to-day operations of the Company have been outsourced as follows:

- The Company's claims administration has been outsourced to Third Party Administrators ("TPA"), who also manage some lower value claims.
- The Company has outsourced all other operations, including supervision of the TPAs and management of high value or complex claims to Premia UK Services Company Limited ("Premia" or the "Service Provider").

Whilst the Board retains ultimate responsibility, it has delegated oversight responsibilities for risk management, capital modelling, financial reporting and expense management to the Board's Audit and Risk Committee ("ARC"). The role of the ARC includes constructively and independently challenging the activities of the Service Provider.

Service Provider committees monitor performance and provide focused challenge on the Company's investments, credit control, claims management and operations. The actions of these committees are overseen by the ARC and summarised to the Board. The Service Provider reports to the Board at least quarterly on business performance against plan, operational matters, key risks, financial and investment matters, and claims.

This approach provides assurance to the Board about the capability of the business to achieve its objectives and the Service Provider's ability to manage the business to achieve the overall business objectives.

Risk Profile

The Company's functional and reporting currency is Euro (EUR) as this represents the currency through which most transactions are conducted and reflects the currency of the primary source of risk.

Solvency Capital Requirement ("SCR") composition	30-Jun-23		31-Dec-21	
Non-life insurance risk	7.3m	77%	17.8m	*86%*
Market risk	1.8m	20%	1.8m	*9%*
Counterparty default risk	1.4m	14%	1.4m	*7%*
Diversification	(1.8m)	-19%	(1.9m)	*-9%*
Basic solvency requirement	8.8m	93%	19.1m	*92%*
Operational risk	0.7m	7%	1.6m	*8%*
Solvency capital requirement	**9.5m**	**100%**	**20.7m**	*100%*
Minimum capital requirement	**4.0m**		**5.6m**	

Source: ART Form S.25.01.b

The Company's key risk is that claims and expenses are higher than the amounts assumed in the calculation of Technical Provisions (see Insurance Risk).

The Company has exposure to counterparty default risk, primarily from deductibles recoverable from policyholders (see Counterparty Default Risk).

The largest element of market risk relates to currency risk which largely arises from exposures to future expense liabilities denominated in Pounds Sterling (GBP). The Company holds surplus assets in EUR. The Company also accepts some spread risk and concentration risk in order to increase expected investment returns. (see Market Risk)

Valuation for Solvency Purposes

Net Solvency II Technical Provisions including risk margin were €22.8m (2021: €56.1m). They are valued using standard actuarial techniques based on historic claims.

Other assets and liabilities primarily consisted of holdings of cash, fixed term deposits and a residual portfolio of investment grade government and corporate bonds. Assets required to match liabilities are held in EUR and GBP with respect to the technical provisions.

The Company has not taken advantage of any transitional provisions or used a volatility or matching adjustment.

Capital Management

The Solvency position is summarised as follows:

EUR (€)	30-Jun-23	31-Dec-21
Solvency Capital Requirement (SCR)	9.5m	20.7m
Minimum Capital Requirement (MCR)	4.0m	5.6m
Own Funds	1.4m	3.2m
SCR coverage ratio	14%	16%
MCR coverage ratio	34%	59%

All Own Funds are eligible Tier 1 capital and consist of paid in share capital, capital contributions and retained earnings. There are no dividends awaiting regulatory approval.

Due to the reduction in exposure over the period, the MCR has reduced to €4m, representing the smallest absolute MCR under applicable regulation. The Company initially notified the PRA it was in breach of its SCR in July 2021 and has subsequently notified the PRA that it is also in breach of its minimum capital requirement.

A. Business and Performance

A1. Business

Reliance National Insurance Company (Europe) Limited is an insurance company limited by shares incorporated in the UK.

The address of its registered office is:

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

The financial and conduct supervisors of the Company are:

Prudential Regulation Authority
20 Moorgate
London EC2R 6DA

Financial Conduct Authority, 12
Endeavour Square
London
E20 1JN

The approved auditors of the Company are:

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

ILS Property and Casualty Re Limited ("ILS P&C") was the 100% owner of the Company during the 18 month reporting period. ILS P&C 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 ("Quest") is a company incorporated in the United Kingdom.

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 policies transferred provided coverage to public and private hospitals and other healthcare institutions predominantly in Italy but also in Spain. The portfolio was originally underwritten by QBE. Between 2002 and 2009 the Italian and Spanish Medical Liability business, which was underwritten on a claims-made basis, was underwritten by QBE from the UK, while between 2009 and 2013 it was underwritten by QBE's Italian and Spanish branches.

Open claims primarily relate to policies which indemnify policyholders 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. As the portfolio was written on a claims-made basis with the last policy underwritten in 2013 it is unlikely that any new valid claims will be made.

The UK Employers Liability insurance was underwritten in the UK between 1992 and 2001.

Net Best Estimate Technical Provisions (€)	June-2023	Dec-2021
Italian and Spanish Medical Liability	16.8m	53.9m
UK Employers Liability*	0.1m	0.1m
Total*	**16.9m**	**53.9m**

*rounded to the nearest €100,000
Source: ART Form S.17.01 & LOB analysis , excluding risk margin, unallocated loss expenses and additional SII expense provisions

As the Company does not write new business it has no sources of income other than returns from its investments.

Objectives and strategies

The Company's strategic objective continues to be the orderly and solvent run-off of its insurance liabilities. The Company will continue to progress the remediation plan 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's small residual UK Employers' Liability business has not changed during the period. 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.

The Company has developed an exit strategy in pursuit of which it is seeking to implement a solvent Scheme of Arrangement ("the Scheme") which will resolve all of its Italian and Spanish medical liability exposures. In parallel with the Scheme the Company intends to put in place an arrangement through which all of its historic Employers Liability exposures will be assumed by a company within the Quest group. If the Company is successful in implementing these plans it will have resolved all of its remaining insurance exposures and will be in a position to apply to be de-authorised as a regulated insurer, and ultimately intends to wind itself up. The Company anticipates that successful execution of its exit strategy will allow it to achieve substantial future expense savings. Quest who acquired the Company in July 2023. intends to continue with the exit strategy outlined above.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, noting the material uncertainties which exist with respect to the valuation of its insurance liabilities and ability to execute its exit strategy and hence achieve the anticipated future expense savings.

The Company does not have any related undertakings or permanent employees.

A2. Underwriting Performance

The UK GAAP Technical Account results for the 18 month period to 30 June 2023 and 12 month period to 31 December 2021 were as follows:

Technical Account (€m)	18 months to 30-Jun-23	12 months to 31-Dec-21
Net claims paid	(29.9m)	(26.7m)
Net change in the provision for claims	31.6m	2.9m
Net operating expenses	(5.2m)	(2.0m)
Balance on technical account for general business	(3.4m)	(25.8m)

Source: 2023 Report & Accounts

The underwriting loss of €3.4m was driven by increases to provisions for future direct claims handling and claims management costs, partially offset by improvements in the estimated ultimate cost of settling Italian medical liability claims.

Net claims paid of €29.9m (2021: €26.7m) have increased compared with the prior period due to the longer 18 month reporting period and the impact of the accelerated claims settlement strategy that has been implemented.

A3. Investment Performance

All funds are held as cash, fixed term deposits and investment grade bonds broadly matched to the Company's liability profile by duration and currency.

Investment gains (€m)	**June-2023**	**Dec-2021**
Total investment income	**(0.2m)**	**(0.2m)**

Source: 2023 Report & Accounts

Investment performance during the period reflects the low and/ or negative interest rates on EUR assets during the period as well as mark to market losses on bonds as a consequence of rising interest rates.

All investment gains and expenses are recognised through the Profit and Loss Account.

A4. Performance of other activities

Other items (€m)	**June-2023**	**Dec-2021**
Foreign exchange on monetary assets	(0.1m)	2.0m
Other income	-	-
Total other items	**(0.1m)**	**2.0m**

Source: 2023 Report & Accounts

A5. Any other information

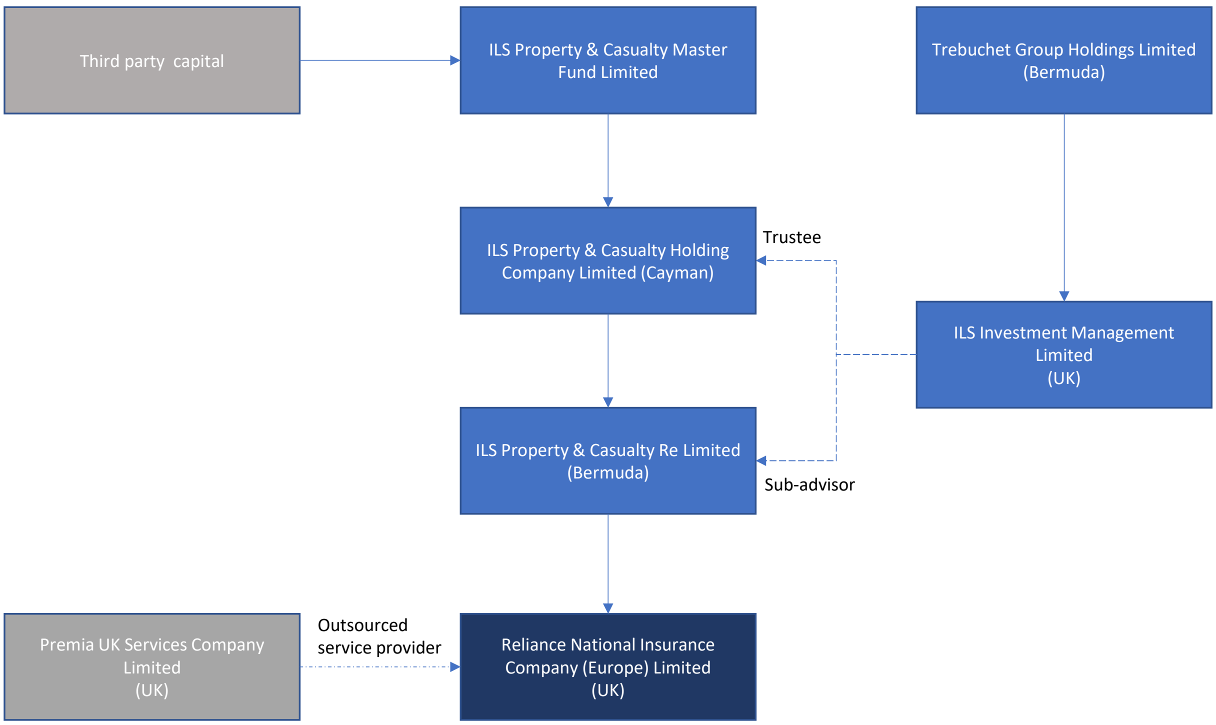
There is no other material information to report.

B. System of governance

B1. General information on the system of governance

RNICE has established a sound and effective corporate governance framework that is appropriate to the size, nature, complexity, and risk profile of the Company. The Company does not have any employees and outsourced the majority of its administrative functions to Premia during the reporting period.

The governance structure presented below reflects the ownership structure as at 30 June 2023:



The Board is responsible for ensuring that proper systems and risk management oversight continue to be in place for the Company and that regulatory standards for compliance and governance are adhered to. As at 30 June 2023 the Board of Directors included one independent Non-Executive Director (iNED), a Non-Executive Chairman and two Non-Executive Directors (NEDs) appointed by the shareholder. Following the Company's acquisition by Quest the same board structure has been maintained, with the same acting Non-Executive Chairman and iNED continuing to serve, and two NEDs appointed by Quest (replacing the previous shareholder appointed NEDs) who are experienced with restructuring insurance companies in run-off. Collectively, the RNICE Board delivers an appropriate balance of knowledge, experience, skills, and independent challenge.

The Board receives quarterly updates from the Audit and Risk Committee and in respect of the key functions of the business in order to assist it in the effective discharge of its duties, although it continues to retain ultimate responsibility.

The Board's oversight responsibilities include:

- Developing high-level strategy and objectives;
- Reviewing and approving business plans and budgets;
- Confirming that corporate governance policies and practices are developed and applied in a sound and prudent manner;

- Ensuring that the Company is effectively managed through its Service Provider;
- Ensuring that its activities are conducted with due care, skill and integrity;
- Ensuring sufficient capital is held to maintain the Company's ongoing solvency;
- Providing oversight of the risk management framework, including setting the Company's risk appetite and tolerance statements;
- Appointing senior executives;
- Approving the financial statements;
- Setting and overseeing the effectiveness of the Company's governance structure and internal control system;
- Reviewing and approving significant policies and procedures; and
- Reviewing and approving arrangements with the Service Provider and ensuring it adheres to the above Risk Management Framework.

The Board meets at least quarterly, or as is needed, and carries out its duties within established terms of reference. It is provided with accurate, appropriate and timely information that enables it to monitor and review key areas, including Company performance and key risks to which it is exposed.

The **Audit and Risk Committee** ("ARC") of the board is chaired by the independent non-executive director and also includes the Non-Executive Chairman. The ARC meets at least quarterly and in practice has met on a monthly basis during the reporting period. It provides independent oversight of the Company's risk management, capital management and audit activities. In addition to constructively and independently challenging the activities of the Service Provider its key responsibilities include:

- oversight of current and future risk exposures, including the determination and monitoring of actual exposures against risk appetite and tolerance;
- providing guidance on the implementation of the risk management framework;
- reviewing and where necessary recommending for approval to the Board, all relevant financial statements and regulatory returns
- ensuring the maintenance of sufficient economic and regulatory capital and allocation of capital;
- promoting a risk aware culture;
- oversight of the effectiveness of internal controls and the performance of the outsourced internal and external audit functions

In addition to the Board and ARC, during the reporting period there was a monthly Claims performance meeting which is normally attended by the directors who are members of the Audit and Risk Committee. This meeting reviews claims settlement strategy and performance and provides oversight of the claims handling process and development trends, including movements in reportable claim values and handling of large claims as well as detailed review of allocated and unallocated loss adjustment expenses. The meeting also provides oversight of the current debt exposures for claims (i.e. in relation to recoveries due from policyholders in respect of deductibles) and reinsurance claims.

B2. Fit and Proper requirements

The Company does not employ any staff other than directors, with its principal functions being outsourced. Therefore, personnel arrangements have been managed on its behalf by the Human Resources function of the Service Provider which, in consultation with the Company, sets the minimum standards for the appointment and promotion of individuals. The Company ensures that Board members and senior executives are fit and proper to discharge their responsibilities in accordance with the following definitions:

- **Fit** – their professional qualifications, knowledge and experience are adequate to enable sound and prudent management of the Company's activities. An assessment of whether an individual is 'fit' involves an evaluation of their professional qualifications, knowledge and experience to ensure they are appropriate for the role. It also demonstrates whether the person has exercised due skill, care, diligence, integrity, and compliance with relevant standards applicable to the area or sector in which the individual has worked.

- **Proper** – whether a person is of good repute and integrity. An assessment of whether a person is 'proper' includes an evaluation of their honesty, reputation and financial soundness. This includes, if relevant, criminal convictions or disciplinary offences.

The Company's Fit and Proper Policy covers the initial and ongoing procedures to be applied in order to confirm that the relevant individuals meet the specified Fit and Proper requirements, together with relevant regulatory notification and reporting responsibilities. The following table provides details on which individuals are covered by this Fit and Proper policy and the assessment requirements that relate to them.

Individual's Status	Description	Assessment Process
Senior Manager Function	PRA and FCA SMFs	SMFs subject to PRA and FCA approval Firm to assess ongoing fitness and propriety.
Key Function Holder not performing a PRA or FCA SMF	Individuals responsible for a key function	Firm to assess initial fitness and propriety and make a notification to the regulators. PRA supervise assessments on an ex-post basis. Firm to assess ongoing fitness and propriety.
Persons "performing a key function"	Individuals employed in a key function but not the key function holder.	Firm to assess initial fitness and propriety and on an ongoing basis.
Certified Persons	Those classified as holding a certification role and therefore being subject to the Certification Regime requirements.	Firm is responsible for identifying those persons who hold a certification role and for completing an annual certification for each of them. Firm to notify the Regulators of all Certified Persons.
All other staff	n/a	Internal HR processes to ensure appropriate performance

B3. Risk Management System

RNICE has established and maintains a risk management framework. The framework supports the execution of the Company's strategic objectives and business plan, allowing an appropriate understanding of the nature and significance of the enterprise-wide risks to which the Company is exposed. This includes assessing the sensitivity to those risks and the ability to identify, assess, control and mitigate these.

The risk framework is built on three core pillars:
- Strategic planning;
- Risk appetite; and
- Capital management.

Strategic planning

Strategic planning is key to the development and achievement of the Company's objectives. It considers factors such as prospective challenges and opportunities, market conditions, the potential development of reserves, the objectives of the Company, financial targets, and risk appetites. The Company's planning horizon considers both short (ie 12 to 18 months) and medium term (3-5 year) projections of performance and solvency.

Risk appetite

The Company's Risk Appetite Statements (RASs or "the statements") set out the nature and level of risk it is willing to take in pursuit of its objectives. The statements are used to support risk-based decision making by clearly defining appetite i.e. the maximum level of risk the Company wishes to take, and its risk tolerances in respect of the economic and operational risks faced by the business.

The statements are periodically reviewed to ensure they reflect any changes to strategic objectives or to the internal and external environment. The Board remain responsible for the review, challenge, and adoption of the risk appetite framework.

The core objective of RNICE is to pay liabilities as they become due while meeting capital, conduct and other regulatory and statutory requirements. It does this by seeking to maintain surplus assets in excess of assessed liabilities in order to absorb reasonably foreseeable fluctuations in the amounts required, putting in place processes and procedures to ensure the affairs of the business are managed effectively, and regularly monitoring the performance of the Service Provider in performing these activities.

As a consequence of the material adverse results experienced in 2021 the Company is in breach of applicable regulatory capital requirements, and has identified a material uncertainty with respect to its ability to continue as a going concern. Therefore the Company can be considered to be in breach of its economic risk appetite, and has implemented the remediation plan outlined above in response.

Capital management

The objective of capital management is to ensure the Company manages and maintains adequate levels of capital to achieve a balance between elements of strategic planning and risk appetite. The ARC monitors the ratio of Own Funds against its regulatory capital requirements on a monthly basis, including projections of the ratio over the short and medium term.

The Solvency II Standard Formula is used to determine the SCR of the Company. Notwithstanding the recognised shortcomings of the Standard Formula, it is believed this approach provides a reasonable and objective approach to measuring and ranking material risks.

Risk register

The risk register summarises the overall risk profile of the Company and is broader in application than the capital-based risk profile produced by the Solvency II Standard Formula. RNICE monitors risk against the following risk categories:

- Strategic risk
- Insurance risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Group risk

Own risk and solvency assessment (ORSA)

The Own Risk and Solvency Assessment ("ORSA") provides a process for the assessment of all the risks inherent to the Company's business, in the context of its overall business strategy, to determine its corresponding capital needs. An ORSA is a company's own assessment of the risks faced, the operation of the risk management framework, its capital requirements and how these are met.

RNICE adopts the definition of the ORSA to be the entirety of the processes and procedures employed to identify, assess, control, manage, and report the short and long term risks it faces or may face and to determine the assets necessary to ensure that the undertaking's overall solvency capital needs are met at all times.

The ORSA:

- Considers all aspects of a company and as a result of this, all material risks with additional scrutiny in place for key risks to the business identified by the Board;
- Focusses on the Company's overall solvency needs taking into account the specific risk profile, approved risk tolerance limits and business strategy;
- Assesses on a continuous basis the compliance with the SCR, MCR, and the requirements regarding Technical Provisions;
- Assesses the significance with which the risk profile of the Company deviates from the assumptions underlying the SCR calculated with the standard formula;
- Is aligned with the Company's strategic direction, receiving regular input from the Board regarding progress against strategic initiatives;
- Is forward-looking, considering the business performance, strategy, and projections;
- Will evolve in line with movements in both the strategy and risk profile of the Company;
- Is an output of a series of activities making up the risk management framework; and
- Production is supported by a consistent approach to capturing data on a timely and accurate basis.

The ORSA is created and collated by the risk management function and reported to and challenged by the ARC and the Board.

The ORSA process ensures that the Board will be provided with the relevant risk and capital information they require and at an appropriate frequency, to enable them to act in the best interest of their stakeholders.

Stress and scenario testing is used to provide insights into the strength of the balance sheet and assess future potential solvency positions. The Service Provider maintains operational responsibility for reviewing the ORSA process and delivering ORSA reports to the Board.

The ultimate responsibility for the ORSA rests with the Board, who review and approve the results of the ORSA process at least annually and is used as an input by the Board in making strategic decisions such as setting the Company's capital management policy and deciding on risk mitigation actions to be undertaken.

Given the circumstances of the Company the ARC considers key risks to the business and to the execution of the remediation plan on a monthly basis. This consideration includes whether the mitigating strategies in place are appropriate and sufficient, and is summarised in monthly remediation plan updates provided to the PRA.

B4. Internal Control

The Company's Internal Control Framework seeks to mitigate risks, protect policyholders, and limit the likelihood of losses or other adverse outcomes, as well as providing a framework for the overall management and oversight of the business.

Controls take different forms, including but are not limited to:

- Policies and procedures
- Approvals and authorisations
- Authority limits
- Management reporting

- Reconciliations and verifications
- Peer reviews

Key controls are captured within the risk register and assessed as part of the risk and control assessment process. Internal and external auditors play a key role in the oversight and assessment of the overall control environment. Findings from audits are shared with and discussed at the Audit and Risk Committee and contribute to risk assessment and solvency self-assessment processes.

The RNICE internal control system is a critical component of the safe and sound operation of the Company, and comprises a coherent, comprehensive and continuous set of mechanisms designed to ensure:

- The Company operates effectively and efficiently, and within agreed risk tolerances, as it pursues its strategic objectives;
- Availability, reliability and security of financial and non-financial data; and
- Compliance with applicable laws, regulations and administrative processes.

The Board remain responsible for, and have assumed ownership of, the internal controls system. They set the "tone at the top" for integrity and ethics, promoting a positive control environment.

B5. Internal Audit Function

The Internal Audit function is in place to provide risk-based, independent and objective assurance, advice, and insight to the RNICE Board. It is an independent assurance function within the third line of defence, providing the Board and Audit and Risk Committee with independent and objective assurance on the effectiveness and efficiency of governance, risk management, and internal control processes.

It has unfettered access to all areas of the Company, including the Board and the Service Provider, so as to effectively carry out its duties. Internal Audit is overseen by the Audit and Risk Committee which approves an annual internal audit plan. Findings and action points arising from each review are discussed with the relevant business areas of the Service Provider and reported to the Audit and Risk Committee.

The internal audit function has been outsourced to an external provider.

B6. Actuarial Function

During the reporting period the Actuarial function was outsourced to the Service Provider and subsequently carried out by a Fellow of the Institute and Faculty of Actuaries (FIA).

The work carried out includes:

- Quarterly and annual Solvency calculations
- Annual Reserve review
- Quarterly reserve monitoring process
- Production of the Actuarial Function Report

The Actuarial Function Report describes actuarial activity which has been performed, ensuring that relevant standards are met, while also supporting strategic projects and providing guidance to the Board. The appointed Actuarial Function holder regularly attended Board and ARC meetings during the period.

Each of these activities is undertaken at least annually, but also on an "as and when required" basis to support the business and its decision-making processes.

B7. Outsourcing

Oversight of the Company's key outsourcing relationship with the Service Provider is managed in accordance with the Company's Third- Party Service Agreement which is subject to review and approval by the Company's Board and contains detailed requirements regarding:

- Relationship management
- Due diligence and third-party selection
- Contract negotiation
- Service levels and ongoing monitoring thereof
- Compensation arrangements
- Termination
- Oversight and accountability
- Documentation and reporting
- Independent review requirements

The Service Provider delivers a quarterly report providing the following:

- Statutory reporting, prepared in accordance with Solvency II regulation;
- A written management report, benchmarked against the strategy and service agreement as determined and agreed by the Board and the Service Provider;
- Service Provider representatives and managers attend the quarterly Board meetings to provide a verbal report and answer any question the Board of Directors may have;
- At all times the Service Provider will co-operate with the internal audit team and implement all reasonable requests immediately.

In addition, responsibility for specific Outsourced functions has been delegated to key function holders in the Service Provider. The outsourced functions are subject to both internal and external audit scrutiny. The auditors' findings are reported directly to the Audit and Risk Committee.

During the reporting period the key functions outsourced to the Service Provider were:

- Actuarial
- Claims
- Finance
- Risk
- Compliance
- Operations

B8. Any other information

There is no other material information to report.

C. Risk Profile

This section describes the key risks that the Company is exposed to. The Standard Formula is used to aid the quantification and ranking risks, in addition to calculating the SCR. The following table shows the contribution each risk type is making to the overall SCR:

Solvency Capital Requirement ("SCR") composition	**30-Jun-23**		**31-Dec-21**	
Non-life insurance risk	7.3m	*77%*	17.8m	*86%*
Market risk	1.8m	*20%*	1.8m	*9%*
Counterparty default risk	1.4m	*14%*	1.4m	*7%*
Diversification	(1.8m)	*-19%*	(1.9m)	*-9%*
Basic solvency requirement	8.8m	*93%*	19.1m	*92%*
Operational risk	0.7m	*7%*	1.6m	*8%*
Solvency capital requirement	**9.5m**	*100%*	**20.7m**	*100%*
Minimum capital requirement	**4.0m**		**5.6m**	

Source: ART Form S.25.01.b

C1. Insurance Risk

Within RNICE Non-Life insurance risk arises from Reserve risk, as the last claims made policies were underwritten in 2013 and no new business has been written since then.

Reserve risk arises from the inherent uncertainty surrounding the on-going adequacy of the reserves or technical provisions that have been made to cover insurance liabilities. The key risk is that current reserves (including incurred but not reported (IBNR) reserves) are not sufficient to cover the run-off of the claims that have already occurred. The main contributor to reserve risk in RNICE is the Italian Medical Liability portfolio. Estimates of future claim 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 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.

The Medical Liability Insurance was written on a claims' made basis, with underwriting having ceased in 2013, meaning the portfolio is mature and new valid claims are considered very unlikely. On occasion, a new valid claim may be notified for example, where a policyholder has been managing the claim internally but determines that there is a risk an existing claim could exceed their Self-Insured Retention. However, experience to date indicates that the likelihood of such claims is expected to be low.

The portfolio benefits from a combination of deductibles and self-insured retentions (both each and every loss and aggregate) and reinsurance which mitigate its insurance risk:

- Deductibles and self-insured retentions account for c.35% of from the ground up ("FGU") claims, with c.40% of notified claims by number not expected to breach the deductible. It is anticipated that these ratios would decline in the event of unanticipated adverse development, as individual claims to which the Company currently has no indemnity exposure could breach the applicable deductible, and the Company would receive no further benefit in the event of deterioration on claims which are already in excess of the applicable deductible.
- Reinsurance consists of facultative excess of loss policies which protect large claims arising on certain individual policyholders and hospitals, most commonly with a limit of €4m excess €1m. The current reinsurance Best Estimate value is €0.9m (2021: €0.2m) and there were no reinsurance receivables to collect at the year end. In the event of a significant increase in gross claims, reinsurance could

absorb some of the additional losses however, because the reinsurance is specific to certain hospitals and years of account this is thought unlikely to have a material mitigating effect.

Reserve risk exposure is managed by the Actuarial Function and through defined reserving practices. A number of controls are in place to ensure that reserving processes continue to be effective and that essential reserving data is complete and appropriate.

In response to material adverse claims development which was identified in 2021 a review of reserving approaches was performed which led to the adoption of a revised reserving methodology. An independent review of claims and reserving was commissioned which validated the revised methods and assumptions used to estimate year end reserves as appropriate to the nature of the liabilities considered. The Company has continued to apply the same methodology in estimating the reserves included in the 30 June 2023 balance sheet, having updated the key assumptions in the light of experience in the period. It is considered that the assumptions made in estimating claims reserves within the financial statements are prudent and are as likely to result in future savings as they are in future deteriorations. Notwithstanding this, there continues to be material uncertainty in the Company's estimates of future claim costs and the Company will continue to closely monitor claim settlement activity for any indications of a divergence in trends.

The Company's approach to reserving is described in its Actuarial Function report, which is updated annually. In addition, Actual versus Expected analyses ("AvE") are performed on a quarterly basis. The Actuarial Function meets with Claims Managers on a regular basis in order to understand claims developments and their causes. The Audit and Risk Committee, and the Board, receive regular updates on material movements and development trends.

C2. Market Risk

Market risk composition	**30-Jun-23** €000s		**31-Dec-21** €000s	
Interest rate risk	712	*39%*	45	*3%*
Spread risk	98	*5%*	395	*22%*
Concentration risk	376	*20%*	809	*46%*
Currency risk	1,448	*78%*	1,406	*80%*
Diversification	(787)	*-43%*	(889)	*-50%*
Market risk	**1,847**	*100%*	**1,765**	*100%*

Source: ART Form S.26.01

Market risk has been actively monitored and managed through the reporting period at the monthly ARC meetings. Investment guidelines are in place to ensure investments remain within risk appetite.

Currency Risk

Currency Risk arises where there is a mismatch between assets and liabilities by currency. The Company's liabilities are primarily denominated in EUR. Hence, the Company is holding EUR cash balances and bonds with a similar value. In addition to the Company's exposure to EUR denominated claims and claim costs, the Company has GBP denominated costs, primarily relating to administration and other corporate costs such as audit fees causing currency risk to be the largest contributor of overall market risk. The Company's surplus assets (as measured on a GAAP basis) are held in EUR..

Other elements of market risk

Interest Rate Risk arises from a mismatch between assets and liabilities by duration. Under Solvency II, Technical Provisions are discounted using EIOPA yield curves. Hence a change in the yield curve will lead to a change in the value of these provisions, which could lead to a gain or loss for the Company. Due to the reducing size of the Company's liabilities and the value of investments held to match them it has become increasingly uneconomic for the Company to hold investments in bonds via an investment manager. In addition, the Company has adopted a policy of reinvesting the proceeds of maturing bonds in interest bearing cash accounts and fixed term deposits in order to increase the liquidity of its assets in anticipation of the implementation of a Scheme of Arrangement and to take advantage of rises in Euro interest rates, its primary currency. As a consequence, the duration of the Company's interest bearing assets is now shorter than the duration of its liabilities. This approach reduces the Company's exposure to mark to market gains and losses reported through its profit and loss account, however also leads to an increase in its interest rate risk as calculated under the Solvency II Standard Formula.

The Company is exposed to risks arising from changes in the value of its corporate bond holdings due to changes in market perceptions of their credit worthiness ("Spread Risk"). This risk is managed through application of credit quality guidelines in the investment process.

The Company is also exposed to the risk that an individual issuer of securities may default on its obligations. This risk is managed through limits placed on exposure to any individual issuer which are contained in the investment guidelines.

Prudent Person Principle

The Solvency II regulations require insurers to invest their assets in accordance with the Prudent Person Principle. The Company's attitude to investment risk is described in its Risk Appetite Statement, which also sets out the associated Risk Tolerances. The Risk Tolerances, in turn, inform the Investment Guidelines. Together these specify the allowable types of investment activity and the limits on specific investments and classes of investment. The ARC monitors ongoing compliance with these tolerances and is made aware of any technical or actual breaches. The Company accepts the concentration risk arising from holding its cash and fixed term deposits which form the majority of its assets with two highly rated international banking groups.

C3. Counterparty default risk

Counterparty Default Risk encompasses deductibles due from the Company's insureds, cash at bank, debts due from reinsurers, trade debtors, and funds held by outsourced service providers. The largest component of this risk relates to claims paid in full, with the applicable policy deductible then being recovered from the Italian hospital policyholder.

Counterparty default risk on the existing net outstanding deductible asset is calculated under the Standard Formula. The hospitals have been treated as Type 2 as the exposure is spread between hospitals where credit ratings are not readily available. However, the large majority of hospitals are state backed, so credit quality is deemed acceptable.

In addition to the outstanding deductibles for claims that have already been paid, there are also deductible reserves on claims that have yet to be paid. Hence there is also potential credit risk on these balances. Credit risk exposures arising from policy deductible are monitored and managed at the monthly Claims meeting.

Excess of loss insurance on the Medical Liability portfolio is placed with 'AA' rated reinsurers and considered very secure.

C4. Liquidity Risk

Liquidity Risk is the risk that cash is not available to settle liabilities as they fall due. In addition to reputational damage it may lead to additional costs such borrowing costs or distressed asset sales.

At present all assets are held in investment grade marketable bonds and cash. 90% of investment assets are due in less than 1 year, so Liquidity Risk in not considered material.

C5. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This risk is mitigated by the robust governance model the Company has in place, and contractual agreements with the Service Provider. The operations of the Service Provider have been established in a manner designed to ensure operational risk is controlled and meets the high regulatory standards in place, for example, with respect to cyber risks. The Service Provider has implemented a project to meet enhanced regulatory expectations with respect to operational resilience which came into force in 2022. The Company's capital requirements also include an allowance for Operational Risk.

C6. Other material risks

Regulatory and legal risk

Regulatory and legal risk is the risk arising from not complying with regulatory and legal requirements. The operations of the Company are subject to legal and regulatory requirements within the jurisdictions in which it operates. The Service Provider Compliance function was responsible for ensuring that these requirements were adhered to throughout the reporting period.

Group risk

Group risk occurs where business units fail to consider the impact of their activities on other parts of a group, as well as the risks arising from these activities. The Company's exposure to group risk was significantly reduced during the period following the transfer of the Service Provider responsibility from Armour Risk Management, which was connected with the owner of the Company, to Premia UK Services Limited, which is unconnected.

C7. Any other information

There is no other material information to report.

D. Valuation for Solvency Purposes

Comparisons of the UK GAAP and Solvency II balance sheets is summarised in the following table:

	2023			2021		
Balance Sheet Comparison €m	**Solvency II value**	**Statutory accounts value**	**Difference**	Solvency II value	Statutory accounts value	Difference
Assets						
Investments	5.5m	5.4m	0.1m	44.4m	44.2m	0.2m
Reinsurance recoverables	0.8m	0.9m	(0.1m)	0.2m	0.2m	0.0m
Debtor balances	1.6m	1.9m	(0.3m)	3.2m	3.2m	-
Cash and cash equivalents	20.1m	20.0m	0.1m	14.1m	14.1m	-
Any other assets, not elsewhere shown	0.7m	0.1m	0.6m	-	0.2m	(0.2m)
Total assets	**28.7m**	**28.3**	**0.4m**	**61.9m**	**61.9m**	**0.0m**
Liabilities						
Technical provisions	23.7m	21.1m	2.6m	56.1m	52.1m	4.0m
- Best Estimate	23.1m	n/a	n/a	54.2m	n/a	n/a
- Risk margin*	0.6m	n/a	n/a	2.0m	n/a	n/a
Insurance & intermediaries payables	2.1m	2.7m	(0.6m)	1.3m	1.3m	-
Any other liabilities, not elsewhere shown	1.6m	1.0m	0.6m	1.3m	1.3m	-
Total liabilities	**27.4m**	**24.8m**	**2.6m**	**58.7m**	**54.7m**	**4.0m**
Excess of assets over liabilities	**1.3m**	**3.5m**	**(2.2m)**	**3.2m**	**7.2m**	**(4.0m)**

Source: ART Form S.02.01.b *The Company has elected to use Method 2 for the calculation of the Risk Margin

Own Funds are equal to the excess of assets over liabilities on a Solvency II basis and consist of Tier 1 paid share capital and the reconciliation reserve.

A qualitative description of the reasons for differences between UK GAAP and Solvency II is set out at section D.1 (assets), D.2 (technical provisions) and D.3 (liabilities other than technical provisions).

D1. Assets

The assets in the Company are either cash or receivables and therefore valuation of these amounts under Solvency II has been taken to be the values under the local reporting requirements.

Cash and cash equivalents balances are valued at their nominal value.

Other assets are generally held at their nominal value and recognised when they fall due. However, they also include deductibles due from policyholders. For these, a bad debt provision has been netted off against their nominal value. A future recovery cashflow of €0.3m has been recognised within the Solvency valuation on a best estimate basis which does not qualify for recognition under GAAP accounting principles.

There has been no change to the valuation and recognition basis during the year.

D2. Technical Provisions

The Company has determined the technical provisions as per the EIOPA guidance as the discounted best estimate of reserves plus a risk margin.

Solvency II technical provisions by material line of business

The technical provisions are primarily for direct Italian Medical Liability policies, which are classified as General Liability under Solvency II. Other lines of business are immaterial by comparison:

Net Best Estimate Technical Provisions (€m)	Jun-2023	Dec-2021
Italian and Spanish Medical Liability	16.8m	53.9m
UK Employers Liability*	0.1m	0.1m
Total*	**16.9m**	**53.9m**

*rounded to the nearest €100,000

Source: ART Form S.17.01 & LOB analysis , excluding risk margin, unallocated loss adjustment expenses and additional SII expense provisions

Calculation of technical provisions

The technical provisions are calculated in line with the prescribed Solvency II requirements as per Articles 76 to 86 of Directive 2009/138/EC. In particular, the value of technical provisions corresponds to the current amount an insurance or reinsurance undertaking would have to pay if they were to transfer their insurance or reinsurance obligations immediately to another insurance or reinsurance undertaking.

Provisions for Reported But Not Settled (“RBNS”) claims are the most material element of the technical provisions.

The Best Estimate has been calculated using the following methods:

- Case reserves for existing losses are set individually using claims handler judgement and the latest available information from policyholders, and legal and medical experts.
- A gross reserve for future deteriorations or savings on existing losses has been calculated using an average cost per claim method, segmented by injury type.
- ALAE has been calculated using an average incurred per claim per period method.
- Due to the low frequency of new valid claims and the claims made basis of the policies, a judgemental reserve is being held for future claims based on an assessment of the number of future new or reopened claims that will be received and result in a claim payment and an average cost of claim.
- An adjustment for deductibles and self-insured retentions is applied to any anticipated future claim deterioration or improvement. Existing claims reserves have been analysed in order to estimate a marginal deductible proportion, adjusted to reflect claims which are already in excess of the deductible. This estimate has then been applied to the estimated provision held against future deterioration.
- The reserves for deductibles have been impaired to allow for potential bad debts. The allowance is based on historic data.
- A run-off provision including ULAE and other overheads has been calculated by projecting all expected future expenses based on budgeted costs and the expected period of time required to run-off all claims, including the anticipated shortening of the claims run-off period as a consequence of the implementation of the Scheme and exit strategy for the Company.

Level of uncertainty associated with the value of technical provisions

Claims uncertainty is considered as part of periodic reserving reviews. There are a number of areas of significant uncertainty inherent in the valuation of the technical provisions, including those described below. The reserves included in the balance sheet are believed to be fairly stated based on the information available and the ultimate cost of claims is considered as likely to reduce as to increase, nevertheless the degree of uncertainty is sufficiently material that there is a material risk that the Company will not be able to pay all of its policyholders in full.

Provisions for Reported but not settled (RBNS) claims are the most material and uncertain element of the technical provisions. While reserves have been set on a case-by-case basis, the eventual cost of each claim ultimately remains uncertain. Estimates of future claim 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 courts, and the impact of future inflation.

The reserves included in the balance sheet include provisions for future direct claims handling and other claims management and overhead expenses whose value is sensitive to assumptions made regarding the length of time that will be required before the Company has paid its last claim. In estimating the length of time such costs will continue to be incurred it is necessary to make assumptions regarding the ability of the Company to implement its exit strategy, which is dependent among other factors on the consent of its regulators, the UK court and a sufficient number of its policyholders. The Company has no control over the actions of external parties, increasing the uncertainty inherent in the provisions which have been made.

Future new claims are not expected to be significant, as the Italian Medical Liability business was written on a claims made basis and the last policies were underwritten in 2013. On occasion, new valid claims may be notified where a policyholder determines that there is a risk that an existing claim could exceed their Self-Insured Retention ("SIR"). However, experience to date means that the likelihood of such claims is expected to continue be low. Nevertheless, a single large claim could still incur a material cost.

Where a court decision is made in favour of an RNICE policyholder there is frequently limited cost or downside for the claimant in lodging a formal appeal. Appeal courts can rule against the Company, meaning the outcome remains uncertain until a final court ruling is delivered. This means the length of time it can take to resolve claims and recover deductibles from policyholders may be extended.

In some instances, Italian courts have enforced judgements against RNICE which RNICE believes are unmerited and likely to be overturned on appeal, which would result in a recovery of amounts already paid to the claimant (as well as costs). RNICE will recognise its expectation that there will be such recoveries where it has received legal advice that its position is robust and it has established that there will be assets available to recover. Nevertheless, the ultimate value of such recoveries remains uncertain.

Other uncertain factors that could affect the value of claims include lower than expected deductibles recovered due to the failure of a non state-backed counterparty/counterparties. Private clinics are a relatively small proportion of the remaining portfolio and the policy wording states that the Insurer has the right to make payments net of deductibles following any bankruptcy declarations reducing the risk of the Company not obtaining the benefit of a deductible to which it is entitled.

The statistical methods used to estimate potential future deteriorations in indemnity case reserves are based on historic experience of average cost per claim by injury type and projections of the number of the proportion of claims likely to settle for nil indemnity. As the number of open claims diminishes individual claim outcomes will have a proportionately greater impact on the aggregate ultimate cost of claims, increasing the level of uncertainty in such projections.

Valuation differences of technical provisions by material line of business between Solvency II and UK GAAP

The following table shows the differences between UK GAAP and Solvency II Technical Provisions:

Technical Provisions Reconciliation (€m)	**Jun-2023**	**Dec-2021**
GAAP Net Technical Provisions	**20.2m**	**51.8m**
Remove margin for prudence	-	-
ENID	0.0m	0.4m
Expense Provisions	3.1m	1.5m
Discounting	(1.2m)	0.1m
Risk Margin	0.6m	2.0m
Solvency II Net Technical Provisions*	**22.8m**	**55.9m**

*Including roundings

The Company has not taken advantage of any of the transitional provisions under Solvency II or for a matching or volatility adjustment in the calculations. Furthermore, no simplifications have been used except in the calculation of the risk margin, which has been calculated using Method 2. No material issues have been identified with the data used in the calculation of technical provisions.

D3. Other liabilities

Solvency II requires that all assets and liabilities should be measured at fair value. However, book value as per UK GAAP is used as a proxy for the fair value for Solvency II balance sheet purposes where the impact of discounting is not material because the balances are due within one year or amounts due in more than one year are not material.

D4. Alternative methods for valuation

Unless otherwise explained in Sections D1-D3, no other alternative methods for valuation are used.

D5. Any other information

There is no further material information to disclose.

E. Capital Management

This section describes the solvency requirements of the Company and the level of Own Funds in relation to the solvency capital requirements.

E1. Own funds

Under the Solvency II guidance, the eligible Tier 1 Own Funds of the Company are €1.3m (2021: €3.2m).

There are no ineligible Own Funds or Own Funds that are included in Tiers 2 and 3. The Own Funds consist of paid-in share capital and a reconciliation reserve. There are no significant restrictions or constraints on the Own Funds.

	Jun-2023				Dec-2021			
Own Funds (€m)	**Tier 1**	**Tier 2**	**Tier 3**	**Total**	Tier 1	Tier 2	Tier 3	Total
Share Capital	-	-	-	-	-	-	-	-
Reconciliation Reserve	1.3m	-	-	1.3m	3.2m	-	-	3.2m
Own Funds	**1.3m**	-	-	**1.3m**	**3.2m**	**-**	**-**	**3.2m**

Own Funds consist of the UK GAAP Shareholders' Funds on a GAAP basis adjusted for the Solvency II restatements, which are shown in the table below:

Own Funds Reconciliation (€m)	**Jun-2023**	Dec-2021
UK GAAP Shareholders' Funds	**3.5m**	**7.2m**
Remove margin for prudence	-	-
ENID	-	(0.4m)
Expense Provisions	(3.1m)	(1.5m)
Future best estimate cashflow not recognised under GAAP	0.3m	-
Discounting	1.2m	(0.1m)
Risk Margin	(0.6m)	(2.0m)
Solvency II Own Funds	**1.3m**	**3.2m**

The Reconciliation Reserve consists of the following items:

Reconciliation Reserve (€m)	**Jun-2023**	Dec-2021
Capital contribution reserve	60.5m	60.5m
Profit and loss account	(57.0m)	(53.2m)
Difference in the valuation of Technical Provisions	(2.2m)	(4.1m)
Forecast dividend	-	-
Solvency II Reconciliation Reserve	**1.3m**	**3.2m**

Objectives, policies and processes for managing own funds

The Company is in run-off and its SCR is expected to reduce steadily as claims are settled. It has now reduced its exposures such that it is subject to the absolute €4.0m minimum MCR permitted under regulation. Capital requirements and Own Funds are assessed on a monthly basis, including projections of the balance sheet over the medium term.

Ensuring minimum Tier 1 levels to cover the SCR

It is not anticipated that the remediation plan will restore Own Funds to a level above the Company's MCR for the foreseeable future. The Company's remediation strategy to implement a Scheme of Arrangement is based on an assessment that this course of action is most likely to ensure its obligations to its policyholders are paid in full.

E2. Solvency Capital Requirement and Minimum Capital Requirement

The following table shows the components of the SCR:

Analysis of SCR (€m)	**Jun-2023**	**Dec-2021**
Insurance risk	7.3m	17.8m
Market risk	1.8m	1.8m
Counterparty default risk	1.4m	1.4m
Diversification	(1.8m)	(1.9m)
Basic Solvency Capital Requirement	8.8m	**19.1m**
Operational risk	0.7m	1.6m
Solvency Capital Requirement	**9.5m**	**20.7m**
Minimum Capital Requirement	**4.0m**	**5.6m**

No simplifications or Undertaking Specific Parameters ("USPs") have been used in the calculation of the SCR.

The following table shows the derivation of the MCR:

Overall MCR calculation (€m)	**Jun-2023**	**Dec-2021**
Linear MCR	**2.3m**	5.6m
SCR	**9.5m**	20.7m
MCR cap	4.3m	9.3m
MCR floor	2.4m	5.2m
Combined MCR	2.4m	5.6m
Absolute floor of the MCR	4.0m	3.7m
Minimum Capital Requirement	**4.0m**	**5.6m**

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

Not applicable.

E4. Differences between the standard formula and any internal model used

Not applicable.

E5. Non-compliance with the minimum capital requirement and significant non-compliance with the solvency capital requirement

The Company is currently in breach of its minimum regulatory capital requirement and has implemented a remediation plan to address this issue. The remediation plan has been shared with the regulator with regular updates on progress being made since this time. The objective of the Company remains the conclusion of the run-off of its insurance liabilities in a solvent and orderly manner.

E.6 Any other information

Not applicable.

F. Director's statement

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the 18 month reporting period in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer, noting the disclosures above in relation to the Company's ongoing breach of its minimum capital requirement; and

b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future, noting the disclosures above concerning the expectation that the Company will continue to be in breach of its minimum capital requirement for the foreseeable future.

MC Batten
Director

Annex 1 – Quantitative reporting templates

The following templates are provided below:

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

Unless otherwise stated, figures are shown in thousands of EUR, rounded to the nearest thousand.