TOKIO MARINE KILN

Solvency and Financial Condition Report 2024

Tokio Marine Kiln Insurance Limited

Contents

1. Summary

1.1 Business summary

Tokio Marine Kiln Insurance Limited (the Company) (TMKI) was placed into run-off in 2020, and its primary activity is to manage the existing in-force policies, including handling and settling claims.

The Company is a wholly owned subsidiary of Tokio Marine Kiln Group Limited. The Company's ultimate parent is Tokio Marine Holdings, Inc., Japan (Tokio Marine).

1.2 Performance summary

TMKI's result for the year-ended 31 December 2024 was a profit after tax of £7.5 million(m) (2023: profit of £10.5m). The performance was driven by investment income from the fixed income portfolio, which continued to benefit from the high-yield environment during 2024.

The underwriting result in 2024 was a £2.0m loss (2023: profit £0.3m).

Net claims incurred experienced favourable movements of £0.8m, mainly due to an improvement in the provision for COVID-19.

Net acquisition costs decreased by £0.3m to £0.1m as premium reduced and the Company reduced its operations in line with the continued run-off.

There were no other business or operating events that had a significant impact on the solvency and financial condition of the business in 2024.

1.3 System of governance summary

TMKI operates within the regulatory framework of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

Following the strategic decision to put TMKI into run-off, an updated governance structure has been in place since 1 January 2020.

Although TMKI remains part of the Tokio Marine Kiln Group (TMK), a separate Board was constituted for the Company to ensure a successful and orderly run-off, which protects policyholders' interests and is consistent with upholding the Group's "Good Company" philosophy. To ensure Board accountability the Board is comprised of executive directors and independent non-executive directors.

An Own Risk and Solvency Assessment (ORSA) report, Management Responsibilities Map, and Board and committees' Terms of Reference have been produced and are maintained for the Company.

TMKI operates a Three Lines Model for risk ownership, management, and oversight and assurance, while the Risk Management, Compliance and Internal Audit Functions provide regular reporting to management, the Board and parent company.

The Risk Management function is organised at the TMK level. Risk information is reported through the bi-annual ORSA process. The TMKI Run-Off Committee and the TMKI Risk, Capital & Compliance Committee (RCCC) receive an annual ORSA report and a subsequent lighter-touch ORSA report.

1.4 Risk profile summary

TMKI's risk profile is as detailed in section C of this report.

As TMKI was placed into run-off from 1 January 2020, the risk profile of the Company changed, as unearned exposures expired and non-insurance areas of the company's operation have been de-risked.

In terms of underwriting risk, TMKI now has significantly reduced natural catastrophe exposures as policies continue to run-off. TMKI still carries significant reserves and hence reserving risk, which combined with catastrophe risk are now the main drivers of underwriting risk, as premium risk reduces. Section C contains the full risk profile breakdown as mentioned above.

Counterparty credit default risk has reduced as reinsurance recoveries are made and live exposures expire; premium debt has also reduced over 2024.

Market risk's contribution to the overall risk profile is low due to TMKI's conservative investment strategy, which has capital protection as the overriding aim.

Liquidity risk is mitigated through the overall strategy of ensuring that TMKI holds sufficient liquid assets in order to settle any financial obligations as they fall due. Liquidity is monitored by the Investment Committee and is a core part of risk appetite reporting to the Run-Off Committee and RCCC.

Operational risk is mitigated through retention strategies to ensure appropriate resourcing remains in place for the run-off of the Company. There is also a strong system of risk reporting and risk governance underpinned by the TMKI Risk Appetite Framework.

Other risks to TMKI are Solvency risk, Reputational risk, Run-off risk, Regulatory risk, Conduct risk and Climate risk.

There were no material changes to TMKI's risk profile between 31 December 2023 and 31 December 2024.

1.5 Valuation for solvency purposes summary

The majority of asset and liability classes within TMKI's balance sheet are valued identically under both Solvency II and GAAP. The key differences are the valuation of the technical provisions and the reclassification of non-overdue insurance and reinsurance debtor and creditor balances to technical provisions. These differences changed the amount of capital held between 31 December 2023 and 31 December 2024 as follows:

Description	31 Dec 2024 (£'000s)	31 Dec 2023 (£'000s)
Total equity per GAAP financial statements	**130,959**	**123,451**
Difference in net technical provisions including DAC	**(346)**	(1,616)
Difference in net (re)insurance debtors and creditors	**(2,270)**	(119)
SII Basic Own Funds	**128,343**	**121,716**
Ancillary Own Funds	**-**	**30,000**
Total available Own Funds to meet the SCR	**128,343**	**151,716**

There were no changes to the valuation methodologies for solvency purposes between 31 December 2023 and 31 December 2024.

1.6 Capital management summary

TMKI has adopted the Standard Formula (SF) approach to calculating its Solvency Capital Requirement (SCR). No Undertaking Specific Parameters (USPs) are utilised within this calculation.

To ensure that the SF SCR is appropriate for the risks faced by TMKI, an assessment of SF appropriateness is undertaken annually, looking at the assumptions underlying the SF versus TMKI's risk profile. The SCR is reviewed and signed off by the Board annually.

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and Minimum Capital Requirement (MCR) such that the solvency ratio, as measured against the SCR and referred to as the Regulatory Solvency Ratio (RSR), remains within risk appetite. The own funds are to be of sufficient quality to meet the eligibility requirements in Article 82 of the Solvency II's Delegated Regulation 2015/35. Separate to the RSR risk appetite, the TMKI

Board sets a target buffer of own funds to be held above the economic capital requirement (ECR) as determined by the TMKI capital model.

The Board is provided with a half yearly capital update in which the eligible own funds to cover the RSR is reviewed.

As part of own funds management, TMKI maintains a run-off plan, which sets out annual solvency projections and includes the structure of, and requirements for, own funds over the foreseeable run-off period.

The amount of the SCR, MCR and the eligible amount of own funds to cover these requirements classified by tiers as at 31 December 2024 are as provided in the tables below:

Description (£'000s)	31 Dec 2024				31 Dec 2023
	Tier 1	Tier 2	Tier 3	Total	Total
Basic Own Funds					
Ordinary share capital	35,000	-	-	35,000	35,000
Share premium account	186,000	-	-	186,000	186,000
Reconciliation reserve	(94,347)	-	-	(94,347)	(102,264)
Net deferred tax assets	-	-	1,690	1,690	2,980
Total Basic Own Funds	**126,653**	**-**	**1,690**	**128,343**	**121,716**
Ancillary Own Funds					
Letters of credit	-	-	-	-	30,000
Available and Eligible Own Funds					
Total available own funds to meet SCR	126,653	-	1,690	128,343	151,716
Total available own funds to meet MCR	126,653	-	-	126,653	118,736
Total eligible own funds to meet SCR	126,653	-	1,690	128,343	151,716
Total eligible own funds to meet MCR	126,653	-	-	126,653	118,736

Description	31 Dec 2024 (£'000s)	31 Dec 2023 (£'000s)
SCR	**55,219**	**69,876**
MCR	**13,805**	**17,469**
Ratio of Eligible Own Funds to SCR	**232%**	**217%**
Ratio of Eligible Own Funds to MCR	**917%**	**680%**

During 2024 TMKI had in place Ancillary Own Funds (AOF) held in the form of a Letter of Credit for £30.0m. It was decided during 2024 that the Letter of Credit would not be renewed on expiry as the run-off is in line with expectation.

A Business and Performance

A1 Business

A1.1 Name and legal form of the company

Tokio Marine Kiln Insurance Limited (TMKI) is a non-life insurer incorporated in England and Wales under the registered number 00989421 and operating in the UK. Since 1 January 2020 the Company has been in run-off.

A1.2 Name and contact details of the authorities responsible for financial supervision of TMKI

TMKI is authorised by the PRA and regulated by the FCA and the PRA under firm reference number 202574. The contact details for the PRA and the FCA are as follows:

- PRA: 20 Moorgate, London EC2R 6DA
- FCA: 12 Endeavour Square, London E20 1JN

A1.3 Name and contact details of the external auditors to TMKI

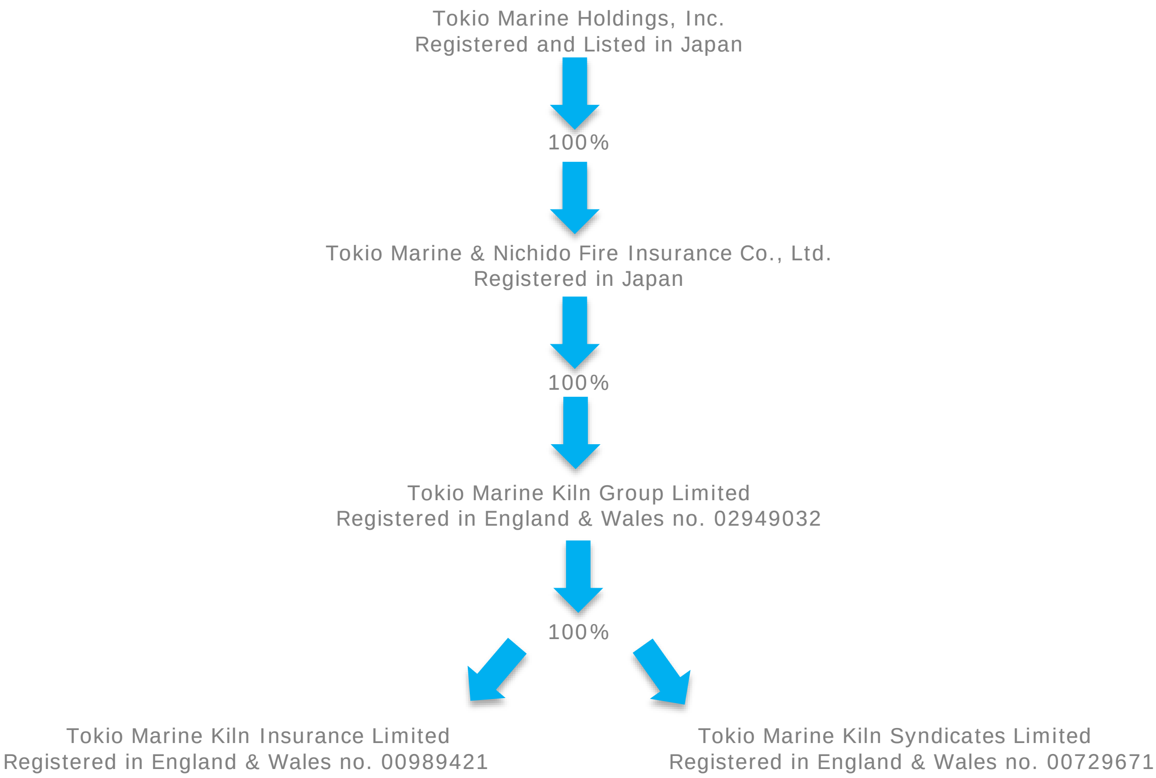
The external auditors are PricewaterhouseCoopers LLP, Chartered Accountants, 7 More London Riverside, London SE1 2RT.

A1.4 Holders of qualifying holdings in TMKI and its position within the Tokio Marine Group

The ultimate parent company and controlling party is Tokio Marine Holdings, Inc. (TMHD) incorporated in Japan. Copies of the consolidated financial statements of TMHD are available from 2-6-4 Otemachi, Chiyoda-ku, Tokyo, 100-0004, Japan.

The immediate parent company is Tokio Marine Kiln Group Limited (TMK), which is incorporated and registered in England and Wales. Copies of the financial statements of TMK are available from 20 Fenchurch Street, London EC3M 3BY.

The schematic of the group structure below shows TMKI's link to the ultimate holding company, TMHD:



A1.5 Material lines of business and geographical areas

Prior to run-off, TMKI's principal activity was the underwriting of predominantly short-tailed commercial marine cargo, property and liability insurance business in the London market, across the UK regions, and through local branches in continental Europe. Central to TMKI's strategy was the insurance of large Japanese corporates.

In run-off, the Company is focused on servicing the clients existing on its books and ensuring a successful and orderly run-off.

A1.6 Significant business or other events during the reporting period

There are no significant business or other events to be reported.

A2 Underwriting performance

A2.1 Comparison of underwriting performance between 2024 and 2023

The overall summary of TMKI's underwriting performance on a UK GAAP basis is provided in the table below for the years ended 31 December 2024 and 31 December 2023.

	2024 (£'000s)	2023 (£'000s)	Variance (£'000s)
Gross premiums written	919	1,039	(120)
Outward reinsurance premiums	242	780	(538)
Net premiums written	1,161	1,819	(658)
Earned premiums, net of reinsurance	51	864	(813)
Claims incurred, net of reinsurance	793	2,946	(2,153)
Change in unexpired risks provision	1,341	1,452	(111)
Net acquisition costs	(70)	(386)	316
Other operating expenses	(4,103)	(4,613)	510
Underwriting result	(1,988)	263	(2,251)
Net investment income	10,965	11,797	(832)
Foreign exchange gain	1,043	880	163
Other income	10	13	(3)
Profit before tax	10,030	12,953	(2,923)
Taxation	(2,521)	(2,460)	(61)
Profit after tax	7,509	10,493	(2,984)

The profit for the year is £7.5m (2023: £10.5m) reflecting stable technical result and positive investment returns during 2024 of £11.0m (2023: £11.8m).

A2.2 Analysis of underwriting performance by Solvency II Line of Business

The following tables show TMKI's underwriting result, broken down by Solvency II lines of business:

2024	GWP[1] (£'000s)	NEP[2] (£'000s)	NIC[3] (£'000s)	NAQ[4] (£'000s)	Technical result (£'000s)
Medical Expense	(70)	(70)	(39)	37	(72)
Marine, Aviation & Transport	(108)	(106)	(203)	67	(242)
Fire & other Property Damage	1,019	110	(322)	(165)	(377)
General Liability	62	101	(289)	(10)	(198)
Miscellaneous Financial Loss	16	16	1,223	(65)	1,174
Non-Proportional Casualty	-	-	239	(2)	237
Non-Proportional Property	-	-	255	(3)	252
	919	**51**	**864**	**(141)**	**774**

Change in Unexpired Risk Reserve	**1,341**
Operating Expenses	**(4,103)**
Underwriting Result	**(1,988)**

2024

[1] Gross Written Premium ('GWP')
[2] Net Earned Premium ('NEP')
[3] Net Incurred Claims (excluding claims management costs) ('NIC')
[4] Net Acquisition Costs(including claims management costs) ('NAQ')

Due to the transition to Solvency UK from 2024 operating expenses are no longer allocated against lines of business.

2023	GWP[1] (£'000s)	NEP[2] (£'000s)	NIC[3] (£'000s)	NAQ[4] (£'000s)	Op Exp[5] (£'000s)	Underwriting result (£'000s)
Medical Expense	(65)	(65)	(252)	35	(50)	(332)
Marine, Aviation & Transport	156	204	(519)	(117)	(819)	(1,251)
Fire & other Property Damage	858	539	14,616	(331)	(3,464)	11,360
General Liability	97	148	(11,408)	(16)	(260)	(11,536)
Miscellaneous Financial Loss	4	40	1,612	43	(20)	1,675
Non-Proportional Casualty	-	-	27	-	-	27
Non-Proportional Property	(11)	(2)	322	-	-	320
	1,039	**864**	**4,398**	**(386)**	**(4,613)**	**263**

2023

[1] Gross Written Premium ('GWP')
[2] Net Earned Premium ('NEP')
[3] Net Incurred Claims and change in unexpired risks provision ('NIC')
[4] Net Acquisition Costs ('NAQ')
[5] Operating Expenses ('Op Exp')

Commentary is provided below for the main three classes of business:

Fire & other Property Damage

The Property Solvency II line of business reported a technical loss of £0.4m (2023: profit before operating expenses £14.8m), mainly due to large loss movements.

General Liability

The General Liability Solvency II line of business recorded an underwriting loss of £0.2m (2023: loss before operating expenses £11.3m) following more stable claims experience during 2024.

Miscellaneous Financial Loss

The Miscellaneous Financial Loss Solvency II line of business reported an underwriting profit of £1.2m (2023: profit before operating expenses £1.7m) due to improvements in COVID-19 expected losses.

A2.3 Analysis of underwriting performance by material geographical areas

The following tables show TMKI's underwriting result, broken down by key geographical territories as determined by Solvency II classification:

2024	GWP (£'000s)	NEP (£'000s)	NIC (£'000s)	NAQ (£'000s)	Technical result (£'000s)
United Kingdom	556	(247)	2,818	(5)	2,566
United States of America	27	82	(2,454)	(21)	(2,393)
Luxembourg	27	30	2,256	38	2,324
Israel	101	82	(1,043)	(13)	(974)
	711	(53)	1,577	(1)	1,523

United Kingdom

The UK, which is TMKI's largest underwriting territory under Solvency II, produced a technical result of £2.6m profit mainly due to improvements in COVID-19 expected losses.

United States of America

The £2.4m technical loss is driven by net incurred claims, which increased due to increases to the IBNR provisions for natural catastrophe, relating to hurricane Irma.

Luxembourg

Luxembourg benefited from improvements in COVID-19 expected losses, generating a technical profit of £2.3m.

Israel

The technical loss of £1m was mainly driven by a large loss in the year.

A3 Investment performance

A3.1 Income and expenses from investments by asset class

The investment portfolio as at 31 December 2024 consisted of investment grade fixed income securities, money market funds, fixed deposits and cash. Investment performance in terms of income and expenses is summarised by asset class in the table below on a UK GAAP basis.

	2024 (£'000s)	2023 (£'000s)
Government bonds	**755**	2,704
Corporate/agency bonds	**8,509**	7,673
Securitised assets	**456**	136
Money market funds and cash	**1,472**	1,332
Absolute Return Fund	**-**	148
Gross investment return	**11,192**	11,993
Investment management fees	**(228)**	(196)
Net investment return	**10,964**	11,797

Investment income comprises interest and dividends receivable, together with realised and unrealised investment gains or losses. Investment fees consist of asset management and custody fees.

Information relating to investments is reported on a fair value basis within the income statement. They are initially recorded at cost, which equates to fair value and subsequently re-measured at fair value through profit and loss. No gains or losses are recognised directly in equity.

The net investment return for 2024 was a gain of £11.0m (2023: gain £11.8m). With most of the investment assets comprising Sterling denominated fixed income securities, total investment performance is materially affected by movements in UK yields.

A3.2 Investment in securitised assets

TMKI currently has a small allocation of directly held securitised assets, which are Sterling-denominated, AAA-rated, and are in aggregate less than 6% of TMKI's total investment assets. The materiality of such securities is monitored and reviewed quarterly.

A4 Performance of other activities

A4.1 Other material income and expenses

TMKI has no material other income and expenses.

A4.2 Material leasing arrangements

TMKI has no financial or operating lease agreements.

A5 Any other information

A5.1 Additional information on the impact of the COVID-19 pandemic on performance

The COVID-19 ultimate loss estimates for the Company have reduced compared to prior year, mainly due to the withdrawal of previously notified claims by insureds.

A5.2 Additional information on the impact of potential losses arising from long-tail lability exposures

The Company is aware of the heightened estimation uncertainty when reserving for potential losses arising from long-tail liability exposures. Management has a robust reserving approach and conduct detailed analyses to corroborate the held reserves at the year-end date.

B System of Governance

B1 General information on the system of governance

B1.1 Role and responsibilities of the administrative, management or supervisory body and key functions

TMKI was TMK's company platform in the UK, operating within the regulatory framework specified by the PRA and the FCA as set out in section A1.2 of this report.

The TMKI Board has established oversight of the business and its operations, setting the strategy and ensuring that liaison has taken place in conjunction with the regulators to ensure appropriate corporate governance and control, including risk management, are in place to ensure the Company can meet its obligations to all stakeholders, in particular, policyholders.

The TMKI Board and its sub-committees hold regular meetings to consider various items, such as the overall run-off strategy, risk management and control framework, and financial reporting, including adequacy of the business capital and reserves. These are standing items on the TMKI Board agenda.

A TMKI specific Management Responsibilities Map and Board and committee Terms of Reference have been produced, and an ORSA report is maintained to reflect TMKI's run-off status.

The following departments and functions operate at the TMK level, with group heads of department to support both entities: Actuarial, Claims, Compliance, Finance, Legal, Company Secretariat, Human Resources, Internal Audit, Operations, and Enterprise Risk Management.

Role and responsibilities of the TMKI Board

The role of the Board is to set the Company's standards and values, determine the strategic direction and management of the Company within the context of the wider TMK Group strategy, monitor the effectiveness of the run-off of the Company, provide leadership, to ensure that the control framework enables the required assessment and appropriate management of risk, and to ensure that the Company has sufficient human resources to meet its objectives within the Company's budget.

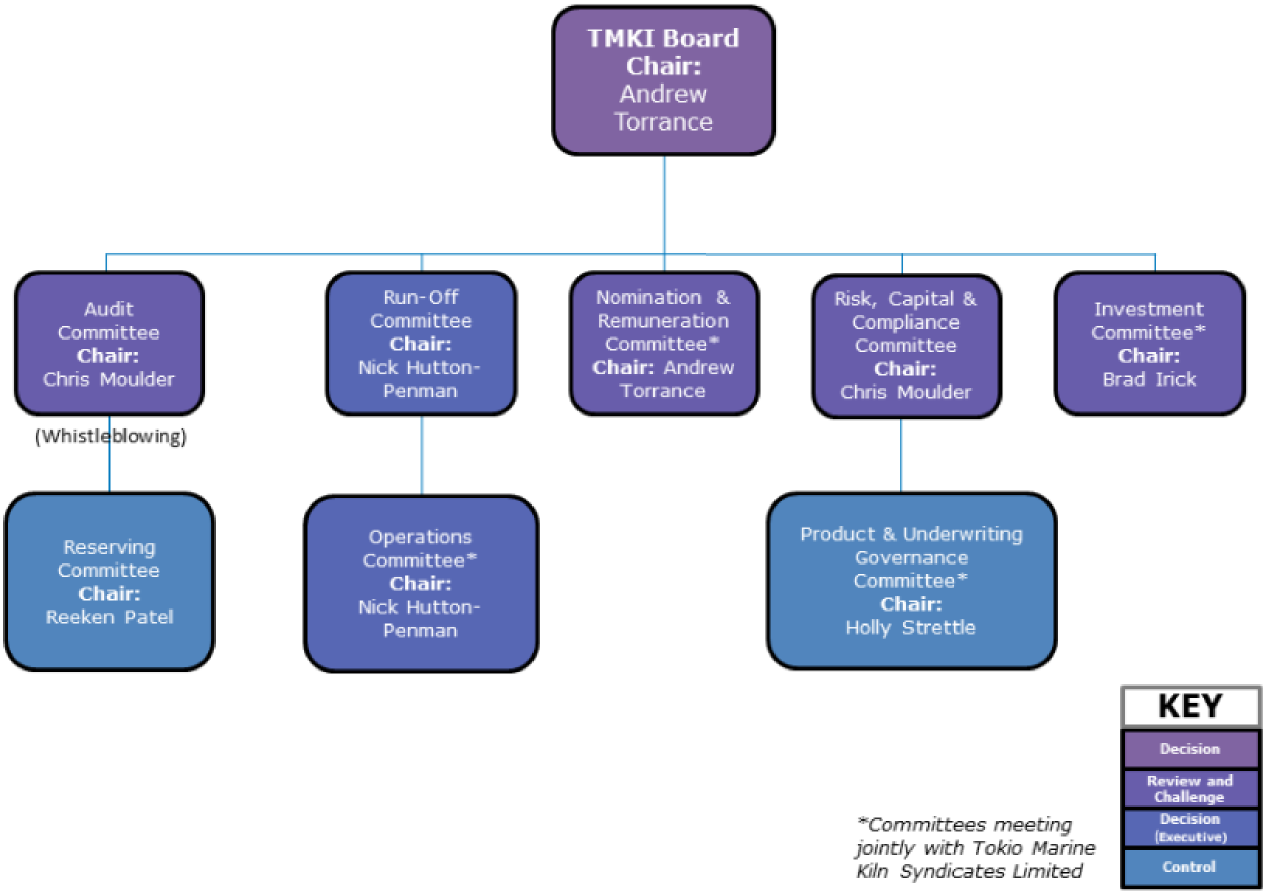
The Terms of Reference specify the matters reserved for decision by the Board. These include items relating to:

- strategy and management;
- management of the run-off;
- dividends and capital;
- financial reporting controls;
- appointments;
- business plan and associated capital requirements;
- underwriting;
- reserving;
- aggregate exposures and realistic disaster scenarios;
- risk management policies and procedures; and
- the establishment of any committee of the Board and its composition.

The Board may delegate responsibility for particular matters to one or more Board committees, the Board Chair, the TMKI Chief Executive Officer or otherwise, as it sees fit.

TMKI's governance model sets out the Board's key responsibilities and promotes its core values with the overarching aim of ensuring a successful and orderly run-off which protects policyholder interests, whilst acting with respect and integrity.

TMKI is committed to high standards of corporate governance and believes that the Board and committee structure in place supports those requirements and the provision of an adequate flow of information from the business functions into the committees and ultimately up to the Board. The schematic below shows the Company's Board and committee structure:

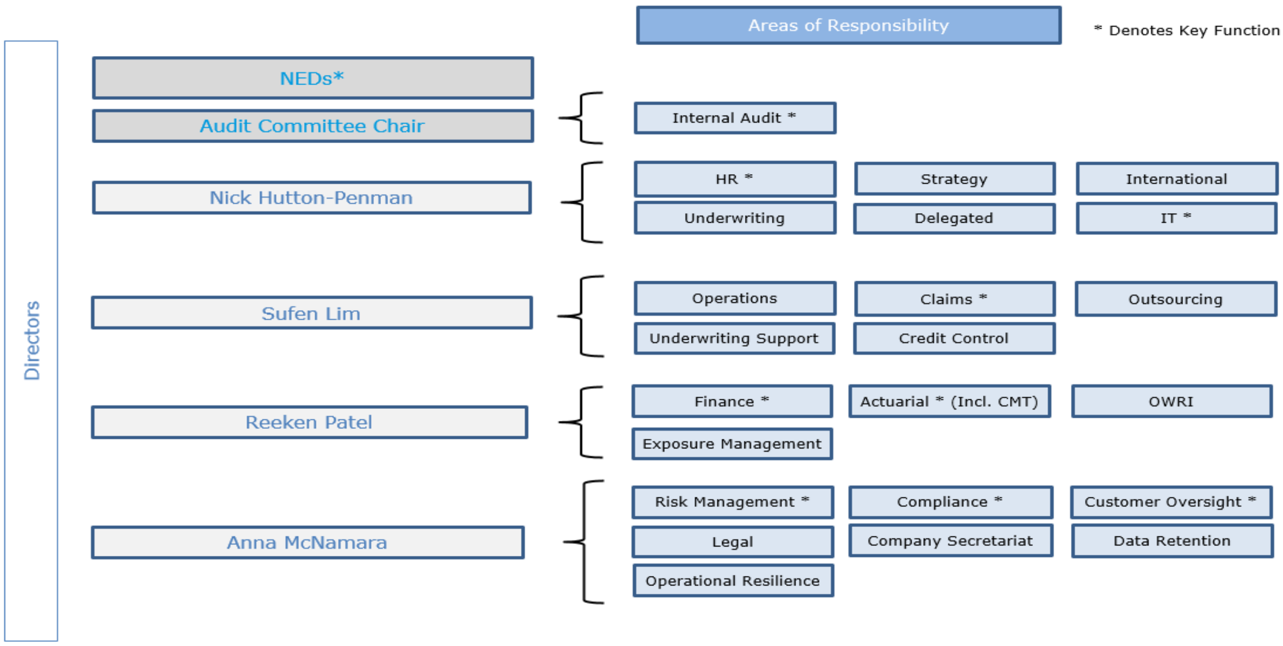


B1.2 Key Functions

Key functions are those functions whose operation "*if not properly managed and overseen, could, depending on the nature and complexity of the business, potentially lead to significant losses being incurred or to a failure in the ongoing ability of the firm to meet its obligations to policyholders*".

In accordance with the rules in the Conditions Governing Business part of the PRA Rulebook and the European Union's Solvency II Delegated Regulation 2015/35, the following business functions have been designated as key functions: Risk Management, Compliance, Internal Audit, and Actuarial.

Following an internal assessment, TMKI has also designated the following as key functions: Underwriting, Claims, Customer Oversight, Finance, Delegated, IT and Human Resources. The Non-Executive Directors have also been designated as a key function. All business functions have a reporting line to the Board as shown below in the Management Responsibilities Map:



B1.3 Roles and responsibilities of the Key Functions

Actuarial Function

The Actuarial function coordinates the calculation of the technical provisions as set out in Article 82 of the Solvency II Directive: comparing best estimates against experience; ensuring that methodologies, models and the assumptions underlying the technical provisions are appropriate; calculating the ultimate loss ratios and GAAP technical provisions; assessing uncertainties underlying reserves estimates; and assessing the continued appropriateness and suitability of the standard formula to TMKI's risk business and risk profiles for calculating regulatory capital requirements.

The Actuarial function also supports the development and maintenance of an effective risk management system through supporting the ORSA process; providing the Board and management with information on risk and capital profiles; and assessing the appropriateness of reinsurance programmes.

Enterprise Risk Management Function

The Enterprise Risk Management function facilitates the establishment and implementation of the risk strategy, risk policies and risk process; ensuring a consistent approach for identifying, assessing, mitigating, monitoring and reporting material risks; challenging risk management practice; and helping to embed a culture of risk awareness and proactive risk management. In addition, the function facilitates the setting of risk appetite limits and reporting against them, providing the Board and management committees with timely reporting on risks at the aggregated level.

The Enterprise Risk Management function has oversight of TMKI's internal control environment, as outlined in the Internal Controls Policy, supporting risk assessments, incident management, and providing the Board and management with training on risk matters.

Compliance Function

The Compliance function supports the business in managing Regulatory and Financial Crime risk.

The function undertakes a number of activities, such as providing advice to the business, maintaining oversight of the financial crime framework, carrying out horizon scanning focused on regulatory and financial crime risks, incident management, delivering compliance training and education, managing relationships with regulators, and reporting on regulatory and compliance risk exposure to the Board and management.

Within the function there is an independent 2nd line of defence Oversight & Assurance (O&A) team conducts risk-based independent and objective oversight and assurance regarding the operational effectiveness of systems and controls designed to mitigate and manage regulatory and legislative risk.

Internal Audit Function

The Internal Audit function evaluates the appropriateness, adequacy, operation and effectiveness of the system of governance, including the internal control system. Internal Audit's remit covers review of processes and controls, how these are being adhered to and implemented by all business areas, and the timing and frequency of reports. The function provides reports of their reviews with findings and recommendations, deadlines for completion and assigned action owners. The function also monitors completion of the agreed actions and reports on these quarterly to the Audit Committee.

The roles of the other designated as key functions (as detailed in the Management Responsibilities Map) are as set out in their internal departmental documentation.

B1.4 Authority, resourcing and operational independence of Key Functions

All the designated key functions are provided with the necessary authority, resource and independence they require to effectively fulfil their roles. They each report to the Board, either directly or through designated Board committees. Their reports are standing items on the Board and Board committees' agendas.

B1.5 Material changes in the system of governance over the reporting period

Following the decision to put TMKI into run-off, a run-off plan was implemented for TMKI in 2019 and agreed with the PRA. The updated governance structure has been in place since 1 January 2020. Although TMKI remains part of the Tokio Marine Kiln Group, the separate Board was constituted for the Company to consider specific matters to ensure an orderly run-off, which protects policyholders' interests and is consistent with upholding the group's "Good Company" philosophy.

To ensure continuity of Board accountability, the TMKI Board is comprised of executive directors and independent non-executive directors.

The Board is responsible for ensuring that the relevant risk appetite framework and associated measures support effective management of the run-off. The Company continues to ensure that policyholders are treated fairly, while adequate capital and reserves are maintained.

B1.6 Material Risk Takers

In line with the PRA's requirement that firms should implement a "Material Risk Taker" process and identify staff whose roles involve exposing the Company to material risks and who are able to influence material risk-taking, the Nomination and Remuneration Committee have reviewed the criteria (including "consistent materiality thresholds") and designated the following categories of staff as Material Risk Takers:

- Board members;
- Individuals who "effectively run the business", which includes Executive Committee members;
- Senior Management Function (SMF) holders with PRA or FCA supervisory pre-approved and Significant Influence Functions (SIF) holders with Financial Conduct Authority (FCA) supervisory pre-approval;
- Key Function office holders (Claims, Internal Audit, Actuarial, HR, Compliance, Customer Oversight, and IT);
- Those considered to have a material impact on our risk profile based on role held. This category includes the Underwriting Department Heads, the Reserving Actuary, and other underwriters with significant sign off rights; and
- Chairs of Board Committees.

B1.7 Remuneration policies and practices

Principles of the remuneration policy

TMKI's overall remuneration strategy is based on a robust process for reviewing and aligning all aspects of employees' reward against relevant market data. Furthermore, the Company's practices and procedures reflect best practice and PRA/FCA requirements.

Specifically, TMKI seeks to:

- ensure that the level of total compensation paid to reflect the pay position that it wants to take against the market. For consistently high performers, the total compensation aspiration will be the upper quartile;
- maintain a risk management culture, which ensures that the Company's employees conduct their affairs in line with regulatory requirements and external stakeholders' interests;
- ensure employees' pay awards are fair, consistent, equitable and transparent;
- ensure that we do not unintentionally discriminate in any way and strive to eliminate anomalies;
- keep up-to-date with the market by benchmarking and reviewing pay on an annual basis;
- Consider all aspects of compensation and benefits; and
- ensure that our approach to compensation and benefits supports our aim of being a family friendly employer.

Explanation of relative importance of the fixed and variable components of remuneration

Remuneration at TMKI is based on fixed and variable pay:

- Fixed pay comprises salary, pension and benefits. Salaries are benchmarked annually to ensure that each employee is paid the market rate for the position they fill.
- **Variable pay** rewards employees for their contribution to TMKI above the basic performance and behaviour expectations of their role.

B1.8 Information on individual and collective performance evaluation criteria on which any entitlement to share options, shares or variable components of remuneration is based

TMKI follows a robust performance management process and ensures that staff receive feedback on their performance and behaviours and understand how this relates to their remuneration.

The Company follows a four-tier system of performance grading, to enable managers to differentiate between various levels of performance. Managers and staff are asked to provide a rating for each individual performance objective, as well a rating against how effectively behaviours have been demonstrated that align to our values.

Performance ratings are then calibrated by senior managers in respective departments to ensure all managers are allocating ratings on a fair, objective and consistent basis, reducing the likelihood for bias.

The performance ratings and behavioural ratings then impact the level of variable pay an individual receives, calibrated in reward meetings between senior managers and the HR department.

B1.9 A description of the main characteristics of supplementary pension or early retirement scheme for members of the Board and / or key function holders

TMKI does not provide supplementary pension or early retirement schemes for members of the Board or other key function holders.

B1.10 Material transactions with shareholders and those who exercise significant influence during the reporting period

TMKI enters into transactions with other Tokio Marine Group entities in the normal course of business. The most material transactions are reinsurance contracts accepted from Tokio Marine Europe S.A. and reinsurance cessions to TMNF.

B1.11 Assessment of adequacy of the system of governance

Review of Board effectiveness

In line with best practice, a review of Board effectiveness is completed regularly, as appropriate. As a matter of course, key areas of focus include:

- the role and composition of the Board;
- the structure of Board meetings;
- the effectiveness of its standing committees; and
- individual performance of directors and the Board as a whole, including training requirements.

Other key areas that may be considered include:

- strategy;
- risks;
- culture;
- change management;
- leadership;
- accountability;
- external factors; and
- regulation.

A summary of key findings and actions are presented at a Board meeting for consideration, where appropriate actions are agreed and tracked to completion.

Ongoing Review

At each Board meeting, the directors will discuss the items included on the agenda, in consideration of the current matters impacting the business. Any observations or suggestions for improvement are recorded in the minutes, and agreed actions are tracked to completion.

The review process forms the basis for the Board's assessment of the adequacy of the system of governance and the appropriateness of TMKI's governance to its business and risk profile.

B2 Fit and proper requirements

B2.1 A description of the specific requirements for skills, knowledge and expertise of persons who effectively run TMKI or have other key functions

TMKI takes the fitness and propriety status of all its employees, not just key function holders, very seriously and ensures that all staff are, and continue to be, fit and proper for their respective roles.

All candidates are assessed prior to appointment as part of the recruitment process and on an ongoing basis, through the performance review process. All employees are also required to self-assess their fitness and propriety each year and are asked to notify the HR team of any changes to their circumstances. Certain events, such as an internal promotion, may also trigger a further review.

When considering employees' fitness and propriety, the following are taken into account:

- competence and capability;
- honesty, integrity and reputation; and
- financial soundness.

TMKI will ensure the professional competence, qualifications and suitability of all new employees through its recruitment procedures, which include which include assessment methods and background checks.

B2.2 A description of the fitness and propriety assessment process for persons who effectively run TMKI or have other key functions

In assessing a candidate's competence and capability prior to employment, all relevant matters are considered. This includes a review and assessment of:

- the required competencies and capability to fulfil the intended role. This is assessed through structured interviews and assessments for new employees, and performance management and manager feedback for existing employees.
- the experience and training required to ensure that these are commensurate for the intended role; and
- whether the candidate's reputation would suit the role they are being considered for, bearing in mind the factors set out within the FCA Handbook's section on fitness and propriety.

In order to comply with the fitness and propriety requirements, as part of any recruitment process. The Company:

- completes civil and criminal checks through the use of a third-party provider (with the full knowledge and agreement of the candidate);
- verifies professional or other qualifications;
- ensures that any gaps within the candidate's employment record are accounted for;
- obtains references from the candidate's former employers, including any required regulatory references, if applicable; and
- considers any adverse disclosures made by candidates.

In determining a candidate's financial soundness, the Company takes into account whether the individual has been subject to any judgement debt or award in the United Kingdom or elsewhere, and whether the individual has made any arrangements with creditors, filed for bankruptcy, had a bankruptcy petition served on them, been adjudged bankrupt or been the subject of a bankruptcy restriction order or any other related matter.

For existing employees, TMKI performs an annual fitness and propriety assessment for all certified and SMF staff under the PRA's Senior Managers & Certification Regime. This assessment is conducted by the Head of HR and the Head of Compliance and takes into consideration the following factors:

- Recent information on background checks including civil and criminal checks and financial soundness
- Recent performance review information and capability assessment
- Compliance with the Conduct Rules
- Completion of recent required training and qualifications

TMKI will ensure that training gaps are identified and met, ongoing objectives and performance are met through a robust performance management process.

Upon receipt of any changes to circumstance, consideration will be given to whether they remain fit and proper in accordance with the Fit and Proper Policy, and a decision will be made on whether any further action is required. Any non-disclosure of relevant information is taken seriously. An escalation group is used to make decisions on a person's fitness and propriety should this come into question. The escalation group must consist of at least two Executive Directors of TMKI.

On an annual basis, the Board considers a report from the Group Chief Executive Officer on the competency of the persons approved under the PRA's Senior Managers and Certification Regime (SM&CR), following the performance review process. The competency of the executive and non-executive members of the Board is reviewed by the Nomination and Remuneration Committee.

B3 Risk management system, including the own risk and solvency assessment

B3.1 Implementation of the risk management system

The Risk Management function is organised at the TMK Group level to support the business in achieving its strategic objectives through appropriately managing risk taking within the business.

The risk management system is supported by a comprehensive, enterprise-wide Risk Management Framework (RMF) and a suite of risk management policies, which are updated and approved on an annual basis. The RMF details the Company's approach to Enterprise Risk Management (ERM), summarising how risk is monitored and managed throughout TMKI at various levels and across various departments.

In managing its risk exposures, the Company seeks to balance the risks and opportunities associated with the business strategy and objectives. The Risk Management Team (RMT) reviews and updates the RMF annually, or more frequently if there are major changes in the business' risk profile that warrants this. It is reviewed and approved by the Risk, Capital & Compliance Committee (RCCC).

The RMF is supported by a comprehensive RMT plan of activities for each year. The Risk Management plan takes a risk-based approach to risk management, contains key areas of focus for the coming year, covering workstreams and resource allocation.

As a business, TMKI is exposed to different areas of risk which are categorised within the Risk Universe documentation. The Risk Universe is defined as 'the complete view of all possible types of risk that the firm may face, reflecting the risk profile of the business.' This includes risks which could both positively or negatively impact the business.

The Risk Universe underpins TMKI's Risk Appetite Framework (RAF), which sets out the parameters for risk-taking, laying out the agreed appetite or tolerance for each area of risk the business is exposed to. Following an annual update by the RMT, the RAF, which is approved by the RCCC each year, feeds in the outcomes of the business planning process. The RAF was comprehensively refreshed in 2023 to update TMKI's risk appetite in line with the run-off plan.

B3.2 Integration of the risk management system into the decision-making processes

As discussed in section B3.1, the RMF is supported by a RAF document, outlining the approach to setting, measuring and managing risk appetite. The RAF ensures that risk taking is aligned to the business strategy by managing risks according to a set of risk preferences and tolerances. These are strategic choices taken by the business to deliver the best result to its stakeholders.

In addition, risk management policies are in place for each Solvency II risk category. These are owned by the business and functional areas and are updated annually, in line with the processes detailed within the RMF. These policies support the business in carrying out their risk management responsibilities and encourage risk management and ownership in the First Line, as per the Three Lines Model, which the Company adopts.

Risk management policies were reviewed and updated throughout 2024 to ensure consistency and accuracy. These were approved by the RCCC.

Risk reporting is a regular, continuous and important process for TMKI as it builds alignment and transparency of risk information between the business, management and the executive team. The risk management system and processes facilitate this reporting throughout the year, allowing the Board and relevant committees to review and challenge risk information and make informed decisions about the changing risk profile of the business. Specifically:

- The RMT report to the Run-off Committee and RCCC on risk management matters at least twice per year via the ORSA Process. This report provides information on movements in the profile of top risks over the quarter; incident and near miss information where applicable and the latest position for a suite of risk metrics, which track against the business' stated risk appetite as set out in the RAF. Details on the ORSA are included in Section B3.3.
- Results of annual stress and scenario testing, where applicable to TMKI, contribute to the assessment and reporting of risks and their potential impact on the profitability and solvency of the business. Further detail on this process is included in Section B3.3.

B3.3 TMKI's own risk and solvency assessment (ORSA) process

Governance and steering of the ORSA process

The Board leads and steers the process for delivering the TMKI ORSA. The TMKI ORSA process is documented in the TMKI ORSA policy, which sets out the Board's overarching guidance on the ORSA process, including reporting requirements, to ensure that regulatory and business requirements are continuously met. The goal of the policy is to assist the Board in implementing processes to demonstrate the link between business strategy, risk appetite, risk profile and solvency needs. The TMKI ORSA policy is reviewed and re-approved on an annual basis by the Board.

The TMKI ORSA process operates continuously throughout the year and is supported by several key elements, detailed below, to provide the Board and management with a comprehensive assessment of risk, strategy and capital, informing and supporting business decisions on an ongoing basis.

The annual ORSA report is reviewed and challenged by the Run-off Committee and RCCC. Once the RCCC is satisfied the assessment is accurate and provides information required for capital allocation and strategic planning purposes, the report is recommended for approval to the Board and submitted to the PRA annually.

Triggers for ORSA reassessment

A significant change to TMKI's risk profile will trigger an ad-hoc re-run of the ORSA process outside its regular cycle. A significant change is defined to be a movement of 15% or more in the modelled Economic Capital Requirement over a quarter, or a major model change or merger/acquisition activity impacting TMK Group. Other events, which will trigger a rerun of the ORSA process outside its regular cycle include:

- A significant change in risk profile.
- Failure in underlying controls or risk assessment processes leading to an incorrect assessment of capital requirements.
- A major change in the Run-off Plan
- At the discretion of the Chair of the Risk, Capital and Compliance Committee.

The final decision on whether an ad-hoc ORSA is required in these circumstances would be made through consultation involving the RMT, the CRO and the chair of RCCC.

Forward-looking assessment of risk and capital

In line with Solvency II requirements, the ORSA process facilitates a forward-looking assessment of risk and capital. The

In line with Solvency II requirements, TMKI's ORSA process facilitates a forward-looking assessment of risk and capital. The output of this assessment is included in the annual ORSA Report. Forward looking activities include:

- the RMT holding discussions with TMKI executives.
- the Finance and Actuarial functions drawing together planning assumptions around the run-off profile, investment income and expenses and preparing balance sheets, profit and loss projections and the resulting capital and solvency positions of the business
- the Run-off Committee reviewing the make-up of Own Funds between Basic Own Funds and Ancillary Own Funds; and

Where appropriate, the RMT would provide recommendations in the TMKI ORSA report to address and mitigate identified current and future risks.

Stress and scenario testing process

TMKI undertake stress and scenario testing (SST) to assess its ability to meet solvency and liquidity requirements under stressed conditions. With TMKI in run-off, the use of reverse stress tests and sensitivity testing are now of less relevance to the business profile. The SST process therefore now focuses on extreme event scenario tests. These test the solvency, capital adequacy and liquidity of the business, as well as challenges to the business across each risk category. Tests are plausible but extreme events.

TMKI capital

TMKI has adopted the Standard Formula (SF) approach to calculating its SCR. No Undertaking Specific Parameters (USPs) are utilised within this calculation. The SCR is calculated by the Finance team and reviewed by the Run-off Committee and the Board. To ensure that the SF SCR is appropriate for the risks faced by TMKI, an assessment of appropriateness is undertaken annually by the Internal Model Validation Team, looking at the assumptions underlying the SF versus the risk profile of TMKI, with key points documented in the annual ORSA report. The SCR numbers are reviewed and signed off by the Board annually.

Regarding economic capital, capital assessments and allocations are presented to, and discussed with, senior management. Outputs are included in the annual ORSA Report.

B3.4 Integration of the ORSA process into TMKI's decision-making processes

As noted above, the RMT reports the outputs of the TMKI ORSA process bi-annually to the Run-off Committee and the RCCC.

The contents of the ORSA reports are a key source of information for senior management.

The principal uses of the ORSA are as follows:

- To ensure there is sufficient capital available to meet TMKI's current business requirements.
- As a key input to TMKI's capital contingency planning.
- To determine whether the TMKI Risk Appetite remains valid.
- To ensure that any risks that exceed TMKI's Risk Appetite are identified, assessed, and, if required, that appropriate remedial action is taken.
- To inform the Reinsurance Strategy.

To provide assurance to stakeholders that appropriate risk management and capital planning procedures are in place.

B3.5 Use of the ORSA to determine TMKI's solvency needs – interaction between capital and risk management

As noted in the previous sections, the TMKI ORSA process provides an update on the business risk profile on a bi-annual basis. Changes to the risk and capital profile are highlighted with any necessary changes to strategy also noted.

The Chief Actuary provides the Run-off Committee and the RCCC with updates, which detail the latest regulatory and economic capital calculations, and the amount of Own Funds available to the business. These two committees review the capital positions against the business and risk profiles and make appropriate recommendations to the Board.

Metrics on capital are reported to the Run-off Committee and the RCCC through the bi-annual ORSAs. This includes metrics used to track the level of required economic capital compared to the capital held and the agreed solvency margins.

B4 Internal control system

B4.1 Description of the internal control system

TMKI's internal control system comprises a combination of activities carried out to eliminate or reduce the likelihood of risks materialising and impacting the effective execution of its business strategy and the achievement of its objectives.

Activities include control management undertaken by the business, independent reviews and reporting undertaken by the both the RMT and the Compliance team, and the independent review and assurance activities undertaken by the Internal Audit team.

All departments within TMK are responsible for proactively managing their control environment, including processes relating to TMKI. Each department has in place an Internal Control Framework (ICF) document, capturing the most material controls they rely upon to perform core activities, fulfil departmental objectives and mitigate the risks captured on the Risk Register. These ICF documents are owned by the business and updated whenever there are changes to departmental processes. The role of the Risk function is to provide oversight and challenge of departments' risks and controls.

Incidents and near misses

A comprehensive incident and near-miss process is in place to ensure that events that have the potential to disrupt the Company's operations are captured and recorded.

Active management of incidents is aided by an on-line Incident and Near Miss Portal, which is accessible to all staff. The RMT, Compliance, Data Protection and Information Security teams are notified as soon as an incident is logged, allowing for real-time management and escalation of issues. Analysis of incidents and near misses is also undertaken on a monthly and quarterly bases to identify:

- common root causes of incidents that prevent departments from operating in an efficient manner;
- control weaknesses, leading to improvement plans; and
- trend analysis on the types of incidents and near-misses experienced by the business.

This analysis is included in reporting to senior management and to the OC and the RCCC through the ORSAs, ensuring that material control weaknesses and trends are understood and addressed, where appropriate.

B4.2 How the Compliance function is implemented

The Compliance team operates as a key element of the internal control system. Compliance is a second line function and, as such, it reports to executive management, but retains operational independence to preserve the objectivity needed to effectively perform its role. Ultimate responsibility for the effective identification of risk and the maintenance of adequate system of control rests with the first line. The first line of defence is responsible for corrective action on reported weaknesses.

The Compliance function seeks to provide expert insight on regulatory risk and to give independent assurance and oversight to senior management as to the effectiveness of those systems and controls designed to mitigate and manage regulatory risk.

The Compliance function is implemented through seven main areas:

Area	Responsibilities of the Compliance function
Advisory	• Engage with the business to identify and advise on regulatory matters, whether internally or externally generated, to mitigate regulatory risk whilst supporting business objectives. • Proactively involved in new strategic initiatives to provide guidance on regulatory matters. Staff are encouraged to speak to Compliance promptly should they need help with obtaining, interpreting or implementing regulation, or to engage them for review and approval. • Advise the business on operating principles, instructions and guidance to manage and mitigate regulatory and financial crime risk. • Set the standards by which regulatory risks are managed.
Horizon Scanning	• Monitor projected changes and revisions to relevant legislation and regulation and plans to introduce new legislations and regulations. • Assess and report on potential impacts to TMKI and proposing amendments to TMKI's operations to meet with changes. • Identify and evaluate compliance risk related to TMKI's business transactions. • Review sources of emerging regulatory risk on an appropriate frequency and maintaining a log, noting any potential impact and action being taken/communicated to the business.
Incident Management	• Coordinate the management of regulatory and financial crime incidents and all stakeholders involved to bring to satisfactory conclusion, whilst involving regulatory legal and the use of external counsel, where appropriate. • Advise on appropriate remedial action for the business to take.
Regulatory Relationship Management	• Act as the primary contact point between TMKI and its regulators and other relevant authorities (including law enforcement agencies) to facilitate and assist as required with the proactive management of those relationships. • Being a portal for routine communication and contact between TMKI and the external regulatory community (the UK regulators and regulators in other countries as necessary). This includes managing TMKI's response to information requests (excluding routine reporting), special notifications and involvement in meetings with the regulators in a note-taking and support capacity.

Area	Responsibilities of the Compliance function
	• Record relevant interactions with regulators, including notes of meetings and exchange of correspondence relating to regulatory matters.
Compliance Training and Education	• Support the business in fulfilling the requirements of complying with regulation, including providing direction, education and formal training on issues within Compliance's remit. • Manage the content of financial crime training modules. • Supporting Approved Persons in their appointment process and ongoing training.
Reporting and Compliance Framework	• Report on regulatory and financial crime matters to the Board, relevant committees and other stakeholders. • Manage external regulatory reporting in line with the Regulatory Communications Policy. • Maintain oversight of the Compliance Framework, which includes Compliance Function planning, maintenance of the ICF, risk register, and ensuring that policies and procedures are in place. • Report to the RCCC on a quarterly basis, showing progress against the Compliance Plan.
Oversight and Assurance	• Provide oversight and assurance regarding identification and management of regulatory and financial crime risk. • Operate independently of the rest of Compliance and RMT by developing and implementing a risk-based plan across in-scope areas of the business. • Report findings to the appropriate management team and monitor agreed actions to conclusion. • Undertake special investigations or projects as directed regulator(s) or executive management.

B5 Internal Audit function

B5.1 How the Internal Audit function is implemented

The Internal Audit function is organised at the TMK level and provides independent, objective assurance and consulting services designed to add value and improve the Company's operations.

Internal Audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. Internal Audit helps the Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes.

Tokio Marine Holdings (TMHD) issues an Annual Policy for Internal Audit, which sets out the key objectives for Group Internal Audit functions and identifies a number of key focus areas that must be addressed in the audit cycle.

The Internal Audit function is governed by an Internal Audit Charter, which sets out the function's role, mandate and authority, and includes independence and objectivity criteria. In addition, Internal Audit adheres to the mandatory elements of The Chartered Institute of Internal Auditors' (IIA) Code of Professional Conduct, including the Global IIA's Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Financial Services Code.

The Group Head of Internal Audit (HIA) reports periodically to senior management and the Audit Committee regarding the function's conformance to these professional standards.

B5.2 Independence of the Internal Audit function

The HIA ensures that the function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the HIA determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the Audit Committee and any other appropriate parties.

Internal auditors have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors do not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their judgment, including:

- assessing specific operations for which they had responsibility within the previous year;
- performing any operational duties for the Company or its affiliates;
- initiating or approving transactions external to the Internal Audit function; and
- directing the activities of any TMKI employee not employed by the Internal Audit department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the HIA has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards are established to limit impairments to independence or objectivity. Internal auditors also:

- disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
- exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined;
- make balanced assessments of all available and relevant facts and circumstances; and
- take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The HIA confirms to the Audit Committee, at least annually, the organisational independence of the Internal Audit function. The HIA will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

B6 Actuarial function

B6.1 How the Actuarial function is implemented

The Actuarial Function is organised at the TMK level to support both TMKI and TMKS. It comprises of the following technical teams: the Actuarial Reserving Team, the Capital Modelling Team, and the Pricing and Analytics Team.

In addition to their day-to-day responsibilities, the teams are also responsible for, or contribute to, the following high-level areas as laid out in Article 48 of the Solvency II Directive:

- technical provisions;
- own risk and solvency assessment; and
- opinion on reinsurance arrangements.

All the above technical teams report to the Chief Actuary, who has overall responsibility for oversight of the Actuarial Function and for ensuring that the processes comply with relevant regulatory and actuarial standards.

The Chief Actuary delivers TMKI's annual Actuarial Function Reports and opinions on technical provisions and reinsurance arrangements to the TMKI Board.

During 2024, the Chief Actuary held a Chief Actuary Practising Certificate issued by the Institute and Faculty of Actuaries and was certified under the SM&CR.

B7 Outsourcing

B7.1 The outsourcing policy

The outsourcing of certain business tasks or processes to third-party suppliers or service providers is guided by the Procurement Policy. This Policy provides guidance on how reviews and approvals of outsourcing arrangements are performed in a controlled manner and that TMKI's outsource partners provide an effective level of service, not unduly impacting any of the Company's own systems or controls.

To maintain effective control over outsourced functions (including those which are sub-outsourced or outsourced to other companies within the TMK Group) and to adequately manage the associated risk, TMKI use a tiered approach to manage outsourced third parties.

TMKI classify all existing and new contracts into three tiers. Contract tiers are based on risk/criticality, materiality and total annual contract value. It is necessary to adopt a risk-based approach to due diligence and monitoring controls, which will differ across third parties. Therefore, it is important to classify third parties into various bands according to criticalities attached with each party. This tiered system will determine the level of scrutiny required for on boarding, due diligence and ongoing management, monitoring and reporting with any issues escalated to the Operations Committee.

Tier 1:

Criteria for a Supplier to be deemed as Tier 1 (can be any one of these criteria)

1. Supplier provides Material Outsourcing services, as defined by a regulator, such as:
- Material contracts in line with the FCA/PRA Definitions
- underwriting in the name of and because of the insurer
- design and pricing of insurance products
- investment of assets or portfolio management
- claims handling
- provision of regular or constant compliance, internal audit, accounting, risk management or actuarial support
- provision of data storage
- provision of ongoing, day-to-day systems maintenance or support
- ORSA process

2. Supplier provides a business-critical service, that if it fails, or is interrupted, causes significant impact across all operations. Contracts could be classified by some or all of these criteria:
- Sole provider of services in the market
- More than 3 business units dependent upon service
- Operational Resilience – Unavailability of third party will ‘Significantly’ impact TMK

3. Supplier provides Material Non-Outsourcing services, as defined by a regulator or,

4. Supplier annual total contract value is ≥ £1M

Tier 2: A non-material but essential service that if it fails or is interrupted could impact business operations. Contracts could be classified by some or all of these criteria:

- Only few provide service in the market
- At least 2 business units dependent upon service
- Operational Resilience – Unavailability of third party will ‘Moderately’ impact TMK
- Annual total contract value with the supplier is ≥ £100k

Tier 3: Any other contract with a supplier that does not fall into either Tier 1 or Tier 2. Contracts could be classified by some or all of these criteria:

- Only 1 business unit dependent
- Multiple firms provide service in the market
- Operational Resilience – Unavailability of third party will ‘Minimum’ impact TMK
- Annual total contract value with the supplier is ≥ £1k

Risk assessment is different for every department, but there are some fundamentals that apply to all business units. While this may differ by the service supplied, common sense assessment will include the following if applicable:

- Type of service being provided
- Access to internal data involved in providing the service

- Nature of data set involved (client confidential, private data, financial transactions, identifiers, passwords, etc.)
- Cloud Outsourcing*
- Data and information security expectations (related to nature of data)
- Financial standing of the vendor
- The size of the contract
- History of the relationship
- Identifying the beneficial owners of the third-party business
- Location (country or region) where services are provided from or where the firm is headquartered.

All contracts which fall under the FCA/PRA definition of "Material Contract" automatically fall under "Tier 1 Material Outsourcing".

Procurement are continually monitoring all requisitions and assessing if there are any new Teir 1 suppliers via a 'triage' process. Total supplier spend is reviewed annually and changes to Tier 1 suppliers based on spend reviewed annually.

The second stage in this review is notification and ratification by the Operations Committee.

B7.2 Material outsourcing arrangements

TMKI has material outsourcing arrangements in place for the following activities:

Service received	Jurisdiction Located In
Discretionary Investment Management Service	London, UK
Application development & Support services	London, UK
Disaster Recovery Services	Hounslow, UK
Claims and Premium Administration	London/Bridgend, UK

B8 Any other information

There is no other information to be reported.

C Risk Profile

Summary of risk profile

TMKI's principal activities were the underwriting of commercial marine cargo, property and liability insurance business in the United Kingdom. TMKI ceased underwriting non-Japanese business from 1 July 2019 and all business with effect from 1 January 2020 and is now in run-off.

TMKI's business model remained consistent with specialist underwriters providing a wide variety of products tailored to our clients' changing risk profile. This was supported by a comprehensive, enterprise-wide framework for the management of risk across the Company.

TMKI focused largely on shorter-tail lines of insurance where the business was able to quickly make immediate and reliable assessment of losses to expect. TMKI remains substantially exposed to losses from man-made and catastrophe property damage events-related business due to risks written before its being place into run-off.

It was TMKI's policy to confine its exposure to risk primarily within its core areas of expertise: the underwriting of large commercial insurance and reinsurance risks. This approach means that TMKI was at the cautious end of the spectrum in all areas of financial risk management, such as investment management. This allowed TMKI to protect the capital on its balance sheet and focus its risk appetite on underwriting.

Underwriting risk constituted 74% of TMKI's total undiversified SF SCR as at 31 December 2024, due to the size of the reserves and the remaining unearned exposures. Counterparty Default Credit risk was 4% of the SCR, while Market risk, which is conservatively managed in line with the Company's cautious investment strategy, constituted 16% of the total SCR. Operational risk, which constituted 7% of the SCR, is tolerated but mitigated wherever possible.

C1 Underwriting risk

This is the risk arising from fluctuations in the frequency and severity of financial losses incurred as a result of the acceptance of the insurance portfolio of business.

As highlighted above, as at 31 December 2024, underwriting risk constituted approximately 74% of TMKI's total undiversified SF SCR (2023: 75%).

C1.1 Key underwriting risks

TMKI now has only very limited unearned exposure; this relates to longer-term risks that were underwritten prior to TMKI entering run-off.

As of the end of 2024, the majority of the remaining unearned exposures are in the Engineering and Liability lines of business.

The engineering policies are located across various territories with a combination of direct business and inward facultative reinsurance. The main exposures are in the USA, UK, Bangladesh, Pakistan and Australia.

Liability was a split of both general liability and employers' liability risks, with a greater proportion of the book centred on general liability risks in the sport, leisure and entertainment, and retail areas.

As an entity in run-off, a key part of underwriting risk sits with reserving for earned exposures.

C1.2 Underwriting risk assessment and mitigation

Use of outward reinsurance as the main underwriting risk mitigation technique

TMKI's outward reinsurance arrangements serves to limit its overall risk exposure, as well as reduce the volatility of its claims.

C1.3 Underwriting risk sensitivity and concentrations

Maximum line sizes existed in US dollars, Euro and Sterling.

The property portfolio had maximum line sizes, one for Japanese corporate business, and another on a PML basis for Construction and Engineering business. These were reinsured down on a per risk basis to a net exposure of £5m for Property and $5m for Construction & Engineering.

For a small selection of the Tokio Marine Group's multinational clients, TMKI offered larger line sizes that were substantially reinsured back to TMNF. This is common practice for overseas subsidiaries of multinational groups.

Smaller line sizes were given for Liability, Japanese and Non-Japanese Marine. These were reinsured down on a per risk basis to a net exposure of £1m for Liability. In addition, Medical Expense and Assistance insurance were underwritten on a PML basis for Japanese clients with specified maximum sums insureds. TMKI was exposed to substantial fire losses from a variety of risks on its books.

Cat risk

One of the largest scenarios assessed quarterly is that of a 200-metre radius accumulation of Fire risks. The largest single scenario on a net basis was approximately £36.3m before diversification.

Reserving risk

This is the risk of loss arising from claims reserves already in the balance sheet being understated, i.e. the risk that reserves are inadequate due to the inherent uncertainty of knowing the ultimate timing and quantum of liabilities incurred.

Claims provisions represent estimates, based on the Company's Actuarial function's statistical projections, of the expectation of the ultimate settlement and administration costs of claims incurred. A variety of estimation techniques are used, generally based upon statistical analyses of historical loss and premium development patterns, to assist in the establishment of appropriate claims reserves. In addition to the statistical techniques, the Actuarial function engages with the Underwriting and Claims departments so that relevant information relating to reserve exposures can be included in the claims reserving process.

C2 Market risk

This is the risk arising from fluctuations in values of, or income from, assets, interest rates or exchange rates. Market risk as at 31 December 2024 comprised 16% of TMKI's total undiversified SF SCR (2023: 12%).

C2.1 Market risk assessment and mitigation

A key reason for the low contribution of Market risk to TMKI's overall risk profile is the conservative nature of the Company's Investment policy, which has protection of capital as the overriding aim. As a result, Market risk has been consistently managed within the risk tolerances set by the Board and accepted as a by-product to risks that TMKI seeks, such as Underwriting risk.

Market risk is measured on a quarterly basis using the Economic Scenario Generator (ESG) model for capital purposes and more regularly using the BlackRock Aladdin risk system for the day-to-day management of the investment portfolio.

TMKI's Market risk profile is monitored by looking across the various assets and liabilities. The tolerances of each risk metric are reviewed annually as part of the Risk Appetite Framework update. Using an Investment risk metric and an asset liability management (ALM) metric, quarterly reports are presented to the Investment Committee to update them on the Market risk profile against agreed tolerances.

Interest Rate risk

This is the risk that the present value of the future cash flows of financial instruments will fluctuate due to changes in interest rates. Interest rate changes affect the valuation of liabilities, and any mismatch in the effects of interest rate change on the assets to liability valuation is the Economic risk.

Interest Rate risk is measured primarily by duration and managed by specifying limits within the investment guidelines.

The investment guidelines specify a maturity limit of 10 years for each security and a duration limit of 3 years for each investment manager's portfolio. The investment guidelines also specify that the duration for managed assets should not be more than 1 year longer or shorter than the duration for liabilities. This is reported to the Investment Committee on a quarterly basis. The investment managers are, however, allowed to take modest tactical positions away from the benchmarks to manage any expected change in interest rates.

The Company does not use interest rate derivatives or futures to mitigate Interest Rate risk.

C2.2 How all assets are invested according to the 'prudent person principle'

TMKI's Investment portfolio holds assets and instruments whose risks are understood, measured, managed, controlled and reported accordingly. The following is a description of the process used to ensure that all steps are taken in the interest of the policyholders and other stakeholders.

TMKI performs annual Strategic Asset Allocation (SAA) exercises that help to ensure the maintenance of a suitable composition of assets, which is required to meet the Company's risk and reward criteria. The SAA is based on the Willis Towers Watson's ESG model assumptions for the asset classes and takes into consideration the liability cash flows provided by the Actuarial function.

The SAA defines an asset allocation that closely optimises the desired risk and expected return, whilst matching, as close as possible, the duration of the liabilities. This exercise ensures that the assets, in particular those that cover the technical provisions, are invested with a similar duration to the liabilities. The SAA takes into account asset quality, liquidity, diversification requirements and impact on capital. This ensures that there is no excessive risk concentration.

TMKI has engaged BlackRock Investment Management (UK) Limited as external portfolio manager. A selection of fixed income benchmarks which, when combined, approximate the key rate durations of the liabilities have been allocated to the portfolio. These blended benchmarks are written into the investment guidelines, which are approved by the Investment Committee and form part of the portfolio managers' Investment Management Agreement.

These guidelines include restrictions on asset classes, issuers, duration and concentration, and they specify the procedures to be followed, if there was a breach. Adherence to these guidelines is monitored daily by an internal Treasury team and reported quarterly to the Investment Committee and the Board.

C2.3 Market risk sensitivity and concentrations

The following exposure limits apply to each type of issuer for Investment risk purposes:

- Government agency: 25%
- Government issued debt: 100%
- Corporate bonds: 75%

Sensitivity testing is undertaken on both Interest Rate risk and Exchange Rate risk, with the results making only a small impact on the carried capital in line with the Company's cautious investment strategy.

C3 Credit risk

This is the risk of loss if another party fails to meet its financial obligations, including failure to meet them in a timely manner. TMKI's Credit risk exposure as at 31 December 2024 constituted 4% of its total undiversified SF SCR, down from 6% in 2023.

C3.1 Credit risk assessment and mitigation

TMKI is exposed to three types of Credit risk: Reinsurer Credit risk, Broker/Intermediary Credit risk and Investment Credit risk.

Credit exposure and aggregate exposure to reinsurers are managed through assessment and approval of all new reinsurers before business is placed with them. The credit ratings of all reinsurers used and the performance of premium debt, from brokers and intermediaries are also monitored quarterly by the Run-off Committee. The Investment Committee regularly tracks and reviews the Company's investment portfolio.

Reinsurer Credit risk

The maximum exposure to any one reinsurer is controlled as follows:

- Exposure metrics are calculated, depending on the reinsurer's blended credit rating, with figures capped at specific values as may be agreed from time to time.
- The blended rating for each reinsurer is calculated, based upon a mixture of AM Best and S&P's ratings.
- These are set against a percentage of the capital, depending on the blended rating, with exceptions for collateralised reinsurances.

Blended rating	Default % of capital
AAA to AA-	10%
A+ to A-	6%
BBB+ & below	2%

This leads to a list of:

- authorised reinsurers: within the above limits.
- referral reinsurers: outside the above limits, but which are desired to be used by TMKI.

Intra-group reinsurances are subject to special examination, based on the following general principles:

- there is a limit for total ceded premium of 20% of gross written premium.
- a number of individual exposures exceed the matrix limits, and these have to be agreed by exception.

Despite the risk of reinsurer default being considered low, given that almost all of TMKI's reinsurance are placed with reinsurers holding a credit rating of A or above, the risk of each reinsurer's default is modelled to take account of the low probability, high impact nature of this risk.

Counterparty Credit Default risk

This is the risk of loss if another party fails to meet its financial obligations, including failure to meet them in a timely manner.

Credit exposure and aggregate exposure to reinsurers are managed by the Outwards Reinsurance team, which assesses and approves all new reinsurers before business is placed with them. It also monitors the credit ratings of all reinsurers used.

In managing TMKI's asset portfolio, the portfolio manager uses ratings from credit rating agencies, S&P, Moody's and Fitch, as well as their own internal assessments. In each case, the lowest rating available for the asset is considered. This is an appropriate process, given that it takes into account the three leading rating agencies' assessments, alongside the portfolio managers' own expert assessment.

The credit ratings of the issuers of each asset held within the portfolio are also used as an input to the capital model (through the ESG model) in parameterising TMKI's risk exposure. In addition, a concentration limit of 5% holding in any one issuer rated BBB- or higher is imposed to ensure that exposure to investment Credit risk is minimised. The top exposures are reviewed by the Investment Committee on a quarterly basis.

No credit derivatives are used in the managed portfolios.

C4 Liquidity risk

This is the risk that TMKI is unable to meet its liabilities in a timely manner because of the lack of liquid resources.

C4.1 Liquidity risk assessment and mitigation

Liquidity risk is mitigated through the overall strategy of ensuring that TMKI holds sufficient liquid assets in order to settle any financial obligation as they fall due. Frequent review of the ongoing liquidity position takes place in order to ensure early identification of any shortfall.

Potentially, the most significant source of Liquidity risk is either large claims arising from Underwriting risk (mainly catastrophe-related losses) or delay in receipt of payments from reinsurers in respect of large claims. However, if a series of large losses were to occur, the extensive outwards reinsurance that TMKI has in place would minimise the losses significantly. Furthermore, given that substantial reinsurances are placed with TMNF, which would be extremely unlikely to delay payments to the detriment of TMKI's liquidity position, TMKI's Liquidity risk is, therefore, mitigated by being fully backed by its parent company's financial strength.

The existence of substantial outwards reinsurance experience within the Company and the rigorous process involved in approving reinsurers for the reinsurer pool, also mitigates potential Liquidity risk arising from failure of reinsurers to settle claims when the fall due. Furthermore, given the conservative nature of its investment portfolio in which liquid assets are extensively held, TMKI's exposure to Liquidity risk from assets illiquidity is very low.

C4.2 Amount of expected profit included in future premiums

The total amount of the expected profit included in future premiums as at 31 December 2024 was £82,000.

This amount has been calculated for TMKI in line with the Lloyd's guidance used for TMKS, as it is deemed better suited to general insurance business. It is believed that this approach complies with the intent of the text within Solvency II's Commission Delegated Regulation 2015/35's Article 260(2), which appears to be phrased more for life insurance firms and is very difficult to apply in a practical way to TMKI.

C5 Operational risk

Operational risk is the risk that errors caused by people/culture, processes, data or systems/IT lead to losses to TMKI.

As at 31 December 2024, Operational risk constituted 7% of TMKI's total undiversified SF SCR, (2023: 7%).

C5.1 Operational risk assessment and mitigation

The Company seeks to manage this risk by the recruitment of high calibre staff and providing them with ongoing, high quality training. Given the run-off status of the Company, retention strategies are in place to ensure that essential staff remain in place throughout the course of the run-off.

There is a strong risk reporting and risk governance system in place to ensure effective risk management of operational risk. This is underpinned by the Enterprise Risk Management Framework (ERMF) and the TMKI Risk Appetite Framework (RAF). The TMKI RCCC reviews the most material elements of the operational risk profile in line with the TMKI RAF.

C6 Other material risks

Solvency risk

This is the risk of non-compliance with solvency capital requirements. These requirements are set out to ensure that the Company has enough capital to meet demands as they fall due.

Solvency risk is driven by exposure to several other risks such as Insurance, Market, Credit and Operational.

Regulatory risk

This is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change.

The Company is required to comply with the requirements of the Financial Conduct Authority (FCA) and the PRA.

The Company's Compliance function is responsible for monitoring compliance with regulation and monitoring of regulatory change. The Compliance framework outlines the broad regulatory and compliance structure that applies to all staff.

The nature of TMKI's business exposes the Company to controls and sanctions which regulate international trade, although this exposure is reduced as no new business is being written. Processes and controls are in place to screen and monitor transactions against relevant requirements to ensure compliance with them.

Conduct risk

This is an essential element of regulatory risk and is the risk of financial and/or service detriment which adversely affects the Company's customers due to failings in the customer value chain. Conduct risk and the treatment of customers is managed and monitored by the Product and Underwriting Governance Committee (PUGC).

The Board aims to embed a culture, from the top down, where the conduct risk arising from the execution of the business plan and strategy is appropriately monitored and managed to ensure good outcomes for customers. The management of conduct risk applies to all business, regardless of product lines and customer types, across both open market and delegated underwriting and is achieved through the application of the conduct risk framework. Conduct risk and the treatment of customers is managed and monitored by the PUGC.

Reputational risk

The risk of negative publicity regarding an institution's business practices will lead to a loss of revenue or litigation.

This risk is reduced with the decision to cease writing new business, but is still managed carefully, particularly because the Company shares the Tokio Marine Kiln brand with other Group entities. Loss of confidence from customers, regulators or capital providers could cause long-term harm to the wider business. In light of this, all staff are made aware of their responsibilities to clients and other stakeholders. Reputational risk is monitored on a quarterly basis by RMT and reported bi-annually as part of the ORSA process to the Risk, Capital & Compliance Committee.

Run-off risk

Run-off risk is the risk of failing to manage the run-off of the Company efficiently and effectively and avoiding any detriment to policyholders. The various risks associated with the run-off include the reputational risk, regulatory risk and the impact it may have from a resourcing perspective in terms of the potential for distraction from business-as-usual activities.

These risks require careful management and are a key priority for the business. The run-off is being managed in line with existing policies and procedures. A Run-Off Committee is in place to oversee the management of the run-offs and this reports into the Audit Committee.

Climate risk

Climate risks are recognised by TMK as manifesting as a range of physical, transitional, reputational, strategic and litigation risks as a result of climate change.

TMK Considers climate risk to be a transverse risk, with each risk category affected by varied risks from climate change. For example, physical risks of climate change such as increased severity of weather-related perils will have effects across insurance risk, market risk and operational risk. Likewise, the global transition to low carbon will have effects across the business.
TMK's climate related risk appetites are integrated within the overarching Risk Management Framework and support delivery of the Sustainability Strategy.

C7 Any other information

There is no other information to be reported.

D Valuation for Solvency Purposes

D1 Assets

D1.1 Solvency II valuation for each class of asset

£'000s	UK GAAP	SII valuation	Difference
Asset classes			
Investments	208,190	214,222	(6,032)
Cash and cash equivalents	12,011	5,979	6,032
Reinsurers' share of technical provisions	42,370	34,437	7,933
Deferred acquisition costs	69	-	69
Insurance debtors	1,181	578	603
Reinsurance debtors	3,415	1,154	2,261
Other debtors	1,432	1,433	(1)
Deferred tax asset	1,690	1,690	-
Total assets	**270,358**	**259,493**	**10,865**

D1.2 Differences between Solvency II valuation and UK GAAP valuation

The following section describes how each asset class is valued under UK GAAP, and any difference arising in the valuation technique under Solvency II. Except where noted, there are no differences between the bases, methods and main assumptions used for each asset class in the valuation for solvency purposes as opposed to the valuation included within the financial statements.

Investments

Investment assets are managed at the TMK level on behalf of both TMKI and TMKS by the Investment Committee. These assets are largely split between government and corporate bonds and short-term deposits. Whilst the total value of investments and cash was unchanged between UK GAAP and Solvency II, the classification between asset sectors varied, as shown below:

Asset sector	UK GAAP valuation (£'000s)	SII valuation (£'000s)	Difference (£'000s)
Government	25,314	29,464	(4,150)
Agency	23,366	-	23,366
Corporate	134,264	153,479	(19,215)
Securitised assets	13,260	13,260	-
MMF and Term Deposits	11,986	18,018	(6,032)
Total	208,190	214,221	(6,031)

At the year-end the bond portfolio was managed by BlackRock Investment Managers.

The Company has also outsourced a number of accounting and reconciliation tasks to BlackRock Solutions (BRS). BRS is subject to a service company audit under the Statement on Standards for Attestation Engagements Number 18 (SSAE18), the results of which show no significant deficiencies in internal controls and processes. As a result, TMKI can rely on BRS output data. In addition, certain controls are undertaken within the Company to ensure that BRS are carrying out their required controls properly and that the output information can be relied upon.

All the assets are valued by BRS on a mark-to-market basis, using several third-party sources based on the schedule of data providers they maintain for each class of asset. This schedule is provided to and reviewed by the Head of Treasury to confirm that assets held are traded in active markets and are priced by a BRS “Primary Provider”. An active market is deemed to be a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

In accordance with Solvency II and FRS 102 valuation principles, TMKI does not hold any financial instrument that is not traded on an active market. The pricing methodologies by asset class are as follows:

- Government Bonds: UK Gilts pricings are obtained from the FTSE indices. FTSE source their prices from the UK Debt Management office.
- Government Agencies: These include supra-nationals and government agency bonds, which are ordinarily priced from ICE pricing and reference data.
- Corporate Bonds: Corporate bonds are priced across a number of pricing vendors which are selected using BlackRock's pricing hierarchy to select the most appropriate source depending on security characteristics/sector. Bonds can be quoted in a variety of ways, including nominal spreads over benchmark securities/treasuries, spreads over swap curves, or direct price quotes as a percentage of par.

In most instances, the quote type used is a spread measure that results in daily security price changes from the movement of the underlying curve (swap or Treasury) and/or changes in the quoted spread. Where a bond is not in the index, a price is obtained from Reuter’s pricing service.

Securitised Assets: There are two types of securitised assets: covered bonds and asset-backed securities (ABS). Prices are ordinarily obtained from IHS Markit.

Currently, TMKI’s directly held investment portfolio does not contain assets which require mark-to-model valuation techniques.

Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks for both Solvency II and FRS 102 reporting and other short-term highly liquid investments with original maturities of three months or less for FRS 102. Under Solvency II and FRS 102, cash and cash equivalents are valued at fair value.

Technical provisions – reinsurance recoverable

The value of reinsurance recoverable as at 31 December 2024 was £34.4m on a Solvency II basis and £42.4m on an FRS 102 basis. This includes reinsurers’ share of unearned premium reserve. Technical provisions are valued by the actuaries in accordance with Solvency II principles and PRA’s guidance. Please refer to the Section D2 for further details and the reconciliation between UK GAAP and Solvency II valuations.

Deferred acquisition costs

Under FRS 102, acquisition costs comprising commission and other costs related to extensions on insurance contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date. Deferred acquisition costs are not recognised separately under Solvency II to the extent that they form part of the premium provision calculation of the technical provisions. Please refer to Section D2.2 for further details.

Insurance debtors

The value of insurance debtors was £0.6m on a Solvency II basis and £1.2m on an FRS 102 basis as at 31 December 2024. Under the FRS 102 basis, insurance debtors include all insurance balances receivable, irrespective of the amounts overdue. Under a Solvency II valuation basis, insurance debtors are reclassified as part of the technical provisions balance (see section D2 for further detail). The exception to this reclassification is where balances are more than three months overdue. On a Solvency II basis, these overdue balances are still reported as insurance debtors in the balance sheet and are not included in the technical provisions. Such overdue balances incur a capital penalty when included within the standard formula SCR calculation.

Reinsurance debtors

On an FRS 102 basis, reinsurance debtors include all reinsurance balances receivable, irrespective of the amounts overdue. Under a Solvency II valuation basis, reinsurance debtors, as with insurance debtors, are reclassified as part of the technical provisions balance (see section D2 for further detail). The exception to this reclassification is where balances are more than three months overdue.

On a Solvency II basis these overdue balances are still reported as reinsurance debtors in the balance sheet and are not included in the technical provisions. Such overdue balances incur a capital penalty when included within the standard formula SCR calculation. As at 31 December 2024, the value of reinsurance debtors was £1.2m on a Solvency II basis and £3.4m on an FRS 102 basis.

Other debtors

The value of other debtors at 31 December 2024 was £1.4m, the majority of this is group company debtors. There were no differences in the valuation basis of these balances under Solvency II and FRS 102 valuation principles.

Deferred tax asset

The value of the deferred tax asset was £1.7 million at 31 December 2024.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The deferred tax asset is calculated at tax rates based on tax laws enacted or substantively enacted which are expected to apply in the period the assets are realised.

TMKI deferred tax assets of £1.6m, relating to tax losses which can be offset against future taxable profits, and £0.1m in relation to fixed assets, have been recognised on the basis of that such profits will be available to utilise the tax losses and the fixed asset related tax credits.

TMKI has not recognised any additional deferred tax asset for Solvency II purposes, as the Solvency II value is consistent with the value in the financial statements.

D1.3 Alternative methods for valuation of assets and liabilities for solvency purposes (per Article 263)

TMKI does not use any alternative methods in its valuation of assets and liabilities for solvency purposes.

D2 Technical provisions

D2.1 Technical provisions by material line of business

For each Solvency II line of business, the following table shows the net best estimate and risk margin, as well as the total technical provisions as at 31 December 2024.

All amounts in £'000s		Year-end 2024			Movement in Net TPs	
Code	**SII line of business**	**Net best estimate**	**Risk margin**	**Net technical provisions**	**Year-end 2023**	**Increase/ (decrease)**
1 & 13	Direct & Proportional Medical Expenses	534	21	555	827	(272)
	Total Health	**534**	**21**	**555**	**827**	**(272)**
& 18	Direct & Proportional Marine, Aviation & Transport	3,079	123	3,202	3,667	(465)
7 & 19	Direct & Proportional Fire & Other Property Damage	29,146	1,164	30,310	37,829	(7,519)
8 & 20	Direct & Proportional General Liability	52,076	2,080	54,156	64,737	(10,581)
11 & 23	Direct & Proportional Assistance	-	-	-	15	(15)
12 & 24	Direct & Proportional Miscellaneous Financial Loss	24	1	25	38	(13)
26	Non-Proportional Casualty Reinsurance	729	30	759	1,068	(309)
27	Non-Proportional Marine, Aviation & Transport Reinsurance	523	21	544	564	(20)
28	Non-Proportional Property Reinsurance	37	2	39	270	(231)
	Total Non-Life	**85,614**	**3,421**	**89,035**	**108,188**	**(19,153)**
	Total	**86,148**	**3,442**	**89,590**	**109,015**	**(19,425)**

The decrease in net technical provisions from year-end 2023 to year-end 2024 was predominantly driven by claims settled during the year as the run-off progresses. Material changes in the assumptions for calculating the technical provisions are discussed below.

D2.2 Bases, methods and main assumptions used for valuation of best estimate

The process of calculating each element of the best estimate for solvency purposes is covered in detail below, but the key methods are similar for each. The basic approach for each element is as follows:

1. Estimate bound premium and claims (for both earned and unearned business).
2. Calculate the corresponding undiscounted future premium and claims reserve amounts.
3. Estimate appropriate payment patterns to apply to each of these amounts.
4. Estimate the cash-flows within each future period using the relevant payment pattern.
5. Discount each future cash-flow using the appropriate risk-free interest rate.

Claims

Gross claims are projected to ultimate at a reserving class level using standard projection methods, including the link ratio method and the Bornhuetter-Ferguson method, with actuarial judgement applied, where appropriate. Exposure-based assessments are also used in estimating catastrophe claims. The earned claims estimates were consistent with those produced for the GAAP Technical Provisions.

Reinsurance recoveries are allowed for by applying estimated net-to-gross ratios consistent with the approach used for the GAAP technical provisions.

Projected cash-flows are estimated by applying payment patterns to the estimates of the gross claims and recoveries separately.

A "look through" basis is used for the valuation of binder business. As such, only individual declarations attached as at the valuation date are included in the Solvency II technical provisions.

Premiums

Premium cash-flows are projected net of insurance premium tax and gross of acquisition expenses using a link ratio model, based principally on the most recent underwriting years. As with claims, the estimated premium development patterns are produced at a reserving class level and are used to derive disposal rate payment patterns to apply to the corresponding future premium amounts.

Bound but not incepted (BBNI) business

Claims and premium cash-flows from BBNI business are estimated using data from the core systems showing entered but not incepted policies. Policies that have tacit renewal clauses are separately allowed for and are assumed to automatically renew if not cancelled in advance of the expiry date (typically 90 days), with an assumed proportion of lapses.

Allowance for inflation

The statistical methodology used in the calculation of the technical provisions assumes that the future will be broadly similar to the past with regard to the legal environment and business operation. The assumption is considered realistic and proportionate given the reasonably short tail nature of the business, and hence the relatively limited exposure of the business to variations in future inflation rates.

Expenses

For each expense item at a Finance budget level, an estimate was made of the latest available budget for the forthcoming calendar year and of the corresponding proportion which relate to the servicing of existing liabilities.

These assumptions were combined for each expense item to give an estimate of the total cost of servicing the liabilities during 2024. For future calendar years, this cost was assumed to reduce in line with the claims reserves within the Solvency II technical provisions.

The paid claim amounts used in the analysis included all allocated loss adjustment expenses (ALAE) that were booked as paid as at the relevant date. Hence, they were assumed to cover future claim payments and the corresponding claims administration expenses. Unallocated loss adjustment expenses (ULAE) were not included within the paid claim amounts but projected as part of the expenses' analysis above.

Acquisition expenses

All premium cash-flows were projected net of insurance premium tax, but gross of acquisition expenses. Acquisition expense loadings, based on actual policy data, where available, or historical averages otherwise, were applied separately for both inwards and outwards reinsurance cash-flows to produce an allowance for both inwards acquisition costs and outwards reinsurance acquisition costs.

Adjustment for counterparty default

A report of outwards claims reserves split by reinsurer was produced, with all reinsurers assigned a reinsurer rating, sourced from Standard & Poor's and AM Best. For each reinsurer rating, a set of default probabilities and recovery rates were then assumed. The recovery rate for a specific counterparty was the share of debts that the counterparty will still be able to honour in the case of default. The default probabilities and recovery rates used were as per those provided by EIOPA.

The projected outwards claims reserves split by reinsurer rating were then combined with the recovery rate information to produce an estimate of the overall adjustment in respect of counterparty default.

Allowance for events not in data (ENID)

The allowance for ENID uses a truncated distribution approach, under which we have assumed that the full range of reserve outcomes were represented by the reserve risk distributions produced by the Capital Modelling Team. The ENID estimate was calculated as a percentage loading, based on the reserve risk distributions of the average loss from an event beyond the 1-in-10 likelihood, the 90% TVaR (Tail Value at Risk).

A premium-weighted average approach and judgement was applied to determine how much credibility to lend to certain segments of the business. This was then applied to the 90% TVaR amount to calculate the average loading required to cover such events. The judgement to apply a greater weighting to this business was based on the view that the more limited the historical data we have, the higher the likelihood of events not being captured.

Discounting

All relevant cash-flows were discounted using the prescribed PRA yield curves as at the valuation date.

Risk margin

In line with EIOPA guidance, the risk margin was calculated using a cost of capital approach. This approach was intended to reflect the costs incurred in raising capital to support the liabilities over their lifetime.

The Standard Formula SCRs used in the calculation of the risk margin were produced by the Company's Finance Team. The SCRs were calculated using a process in line with that for the full SCR calculation, but only applied to business included within the Solvency II technical provisions, that is, business legally bound at the valuation date. This was calculated as at the valuation date (proxy SCR) and the subsequent four year-ends (t=1 through t=4), using the Standard Formula. Thereafter, a risk-based approach was used to run-off the SCR.

Under the risk-based approach, the capital held to support the technical provisions was assumed to reduce in line with the Premium risk and Reserve risk underlying the technical provisions. The Reserve risk remaining after the first four years was assumed to reduce in line with the square root run-off method.

D2.3 Uncertainty associated with the value of technical provisions

There is always uncertainty in estimating the technical provisions for insurance business. The nature of most of these issues is such that they are difficult to quantify in both likelihood and magnitude. The issues that arise in respect of the business include:

- In valuing the technical provisions, it is necessary to project numerous cash-flows, including future premiums, claims and reinsurance recoveries. None of these will develop exactly as projected and they may vary significantly from the projections.
- For certain elements of the technical provisions, such as the allowance for ENIDs, there is very little data on which to base any analysis. This could potentially lead to increased uncertainty in the estimates for these elements of the technical provisions.
- Low levels of historical data can lead to an increased uncertainty in actuarial projections.
- There is greater uncertainty associated with the more recent years of account, mainly due to pricing strength and the unearned exposure to future events, such as natural catastrophes and large losses.

D2.4 The recoverables from reinsurance contracts and Special Purpose Vehicles

The main reinsurance contracts in place for TMKI were the catastrophe excess of loss treaties that protect the construction business against catastrophic loss events. Where appropriate, these are supplemented by facultative reinsurance arrangements.

As part of the wider Tokio Marine Group, there are also various fronting arrangements whereby risks are written by TMKI and ceded via quota share reinsurance contracts to TMNF. The use of Special Purpose Vehicles (SPVs) is limited to specific contracts, which are generally part of the fronted arrangements. For information on the calculation of reinsurance recoveries, please see the claims and premiums sub-sections in section D2.2 above.

D2.5 Material changes in the relevant assumptions made for calculating the technical provisions between year-end 2024 and year-end 2023

The assumptions used in the valuation of the Solvency II technical provisions (SII TPs) at 31 December 2024 are consistent with those made at 31 December 2023.

D3 Other liabilities

D3.1 Solvency II valuation for each class of other liabilities

£'000s	UK GAAP	SII valuation	Difference
Liability classes			
Gross technical provisions	131,630	124,027	7,603
Reinsurers' share of deferred acquisition costs	52	-	52
Insurance creditors	3,012	2,752	260
Reinsurance creditors	943	617	326
Other creditors	3,762	3,754	8
Total liabilities	**139,399**	**131,150**	**8,249**
Net capital and reserves	**130,959**	**128,343**	**2,616**

D3.2 Differences between Solvency II valuation and UK GAAP valuations

The following section describes how each asset class was valued under UK GAAP and any difference arising in the valuation technique under Solvency II. Except where noted, there were no differences between the bases, methods and main assumptions used for each asset class in the valuation for solvency purposes as opposed to the valuation included within the financial statements.

During the reporting period, no changes were made to any of the recognition or valuation bases or estimation techniques described below.

Gross technical provisions

The value of gross technical provisions at 31 December 2024 was £124.0m on a Solvency II basis and £131.6m on an FRS 102 basis. Technical provisions are valued by the actuaries in accordance with Solvency II principles and PRA guidance. Please refer to Section D2 for further details and the reconciliation between UK GAAP and Solvency II valuations.

Reinsurers' share of deferred acquisition costs

Under FRS 102, acquisition costs comprising commission and other costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date. Deferred acquisition costs are not recognised separately under Solvency II to the extent that they form part of the premium provision calculation of the technical provisions. Please refer to Section D2.2 for further details.

Insurance creditors

The value of insurance creditors was £2.8m on a Solvency II basis and £3.0m on an FRS 102 basis at 31 December 2024.

Under FRS 102 basis, insurance creditors include all insurance balances payable irrespective of the amounts overdue. Under a Solvency II valuation basis, insurance creditors are reclassified as part of the technical provisions balance (see section D2 for further detail). The exception to this reclassification is where balances are more than three months overdue. On a Solvency II basis, these overdue balances are still reported as insurance creditors in the balance sheet and are not included in the technical provisions.

Reinsurance creditors

The value of reinsurance creditors was £0.6m on a Solvency II basis and £0.9m on an FRS 102 basis at 31 December 2024.

On an FRS 102 basis, reinsurance creditors include all reinsurance balances payable, irrespective of the amounts overdue. Under a Solvency II valuation basis, reinsurance creditors are reclassified as part of the technical provisions balance (see section D2 for further detail). The exception to this reclassification is where balances are more than three months overdue. On a Solvency II basis, these overdue balances are still reported as reinsurance creditors in the balance sheet and are not included in the technical provisions.

Other creditors

As at 31 December 2024, the Other creditors were £3.8m on both Solvency II basis and FRS 102 basis. The balance mainly comprised of the corporation tax liability (£2.4m).

D4 Any other information

D4.1 Impact of COVID-19 pandemic on the balance sheet

With regards to liabilities, the technical provisions have been prepared based on conditions and best estimate assumptions at 31 December 2024.

At the end of 2024 the COVID-19 ultimate loss estimates have reduced mainly due to the withdrawal of previously notified claims by insureds.

E Capital Management

E1 Own funds

E1.1 Objectives, policies and processes for managing TMKI's own funds

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR such that the solvency ratio, as measured against the SCR and referred to as the regulatory solvency ratio (RSR), remains within risk appetite.

These own funds are to be of sufficient quality to meet the eligibility requirements set out in Article 82 of Solvency II's Commission Delegated Regulation 2015/35. Separate to the RSR risk appetite, the TMKI Board sets a target buffer of own funds to be held above the economic capital requirement (ECR) as determined by the TMKI capital model.

The Board is provided with a half yearly capital update in which the eligible own funds to cover the RSR is reviewed.

As part of own funds management, TMKI maintains a run-off plan, which sets out annual solvency projections and includes the structure of, and requirements for, own funds over the foreseeable run-off period.

The RSR was 217% at the end of 2023 and was 232% at the end of 2024 when the SF SCR was recalculated.

The Company's capital, balance sheet exposure and solvency position are reviewed on an ongoing basis and actions will be taken to protect the solvency position.

E1.2 Structure, amount and quality of total available own funds to meet the SCR

Description (£'000s)	31 Dec 2024				31 Dec 2023
	Tier 1	Tier 2	Tier 3	Total	Total
Basic Own Funds					
Ordinary share capital	35,000	-	-	35,000	35,000
Share premium account	186,000	-	-	186,000	186,000
Reconciliation reserve	(94,347)	-	-	(94,347)	(102,264)
Net deferred tax assets	-	-	1,690	1,690	2,980
Total Basic Own Funds	**126,653**	**-**	**1,690**	**128,343**	**121,716**
Ancillary Own Funds					
Letter of credit	-	-	-	-	30,000
Available and Eligible Own Funds					
Total available own funds to meet SCR	126,653	-	1,690	128,343	151,716
Total available owns funds to meet MCR	126,653	-	-	126,653	118,736
Total eligible own funds to meet SCR	126,653	-	1,690	128,343	151,716
Total eligible own funds to meet MCR	126,653	-	-	126,653	118,736

During 2024 TMKI had in place Ancillary Own Funds (AOF) held in the form of a Letter of Credit for £30.0m. It was decided during 2024 that the Letter of Credit would not be renewed on expiry as the run-off is in line with expectation.

TMKI's available own funds to meet the SCR are £128.3m and the available own funds to meet the MCR are £126.7m.

E1.3 Key elements of the reconciliation reserve

The reconciliation reserve of (£94.3m) as at 31 December 2024 represents the difference between the total of Tier 1 share capital and share premium and Tier 3 deferred tax assets compared to the Solvency II excess of assets over liabilities.

The potential volatility of the reconciliation reserve is mainly driven by the underlying profitability of the Company resulting from its underwriting performance, which reflects TMKI's appetite for underwriting risk.

E1.4 Eligible amount of own funds to cover the SCR and MCR, classified by tiers

As shown in the table in section E1.2, TMKI's eligible own funds to meet the SCR are £128.3m and the eligible own funds to meet the MCR are £126.7m.

E1.5 Material differences between equity as shown in TMKI's financial statements and the excess of assets over liabilities as calculated for solvency purposes

The majority of asset and liability classes within TMKI's balance sheet are valued identically under both Solvency II and GAAP. The key differences are the valuation of the technical provisions and the reclassification of non-overdue debtor and creditor balances to technical provisions. These differences change the amount of capital held as follows:

Description	31 Dec 2023 (£'000s)	Movement in 2023 (£'000s)	31 Dec 2024 (£'000s)
Equity per financial statements			
Ordinary share capital	35,000	-	35,000
Share premium account	186,000	-	186,000
Retained earnings	(97,549)	7,508	(90,041)
Total equity per financial statements	**123,451**	**7,508**	**130,959**
Difference in net technical provisions including DAC	(1,616)	1,269	(347)
Difference in net (re)insurance debtors and creditors	(119)	(2,151)	(2,270)
Difference in other items	-	1	1
SII Basic Own Funds	**121,716**	**6,627**	**128,343**

E2 Solvency capital requirement and minimum capital requirement

E2.1 Amount TMKI's SCR and MCR as at 31 December 2024 by risk modules

The SCR and MCR at 31 December 2024 were, respectively, £55.2m and £13.8m, with the SCR split by risk modules as shown in the following table:

Solvency capital requirement (£'000)		2024	2023	Change
Non-life underwriting risk	Premium and Reserve risk	21,756	26,340	(4,584)
	Catastrophe risk	36,325	47,199	(10,874)
	Lapse risk	33	26	7
	SCF_{nl} Pre-diversification	58,114	73,565	(15,451)
	SCF_{nl} Diversification credit	(11,338)	(14,040)	2,702
	SCF_{nl} Post-diversification	**46,776**	**59,525**	**(12,749)**
Health underwriting risk	NSLT underwriting risk	91	136	(45)
	SCF_{health} Pre-diversification	91	136	(45)
	SCF_{health} Post-diversification	**91**	**136**	**(45)**
Market Risk	Interest Rate risk	2,804	1,702	1,102
	Spread risk	4,396	4,363	33
	Concentration risk	232	393	(161)
	Currency risk	6,918	6,892	26
	SCF_{mkt} Pre-diversification	14,350	13,350	1,000
	SCF_{mkt} Diversification credit	(4,350)	(3,838)	(512)
	SCF_{mkt} Post-diversification	**10,000**	**9,512**	**488**
Counterparty Default Risk	Type 1 risk	2,398	4,654	(2,256)
	Type 2 risk	236	292	(56)
	SCF_{def} Pre-diversification	2,634	4,946	(2,312)
	SCF_{def} Diversification credit	(54)	(69)	15
	SCF_{def} Post-diversification	**2,580**	**4,877**	**(2,297)**
Undiversified Basic SCR		59,447	74,050	(14,603)
Diversification credit		(7,846)	(8,819)	973
Basic SCR		51,601	65,231	(13,630)
Operational risk		3,618	4,645	(1,027)
Final Standard Formula SCR		**55,219**	**69,876**	**(14,657)**

E2.2 Simplifications applied within the Standard Formula risk modules and sub-modules

In calculating the SCR, the following simplifications were applied:

- Article 59: Calculations of the risk margin during the financial year.
  The proxy SCR (required for the calculation of the risk margin) was not recalculated for the quarterly update of the technical provisions; it was kept as at year-end. However, the materiality of any change in the SCR was monitored via the quarterly monitoring file.
- Partial application of Article 111: Simplified calculation of the risk mitigating effect.

E2.3 Inputs used to calculate the minimum capital requirement

The table below shows the inputs into the MCR calculation as at 31 December 2023 and 31 December 2024.

	31 Dec 2023 (£'000s)	Movement in 2024 (£'000s)	31 Dec 2024 (£'000s)
AMCR	3,233	118	3,500
Linear MCR	10,744	(1,950)	8,794
SCR	69,876	(14,657)	55,219
MCR floor (25% of SCR)	17,469	(3,664)	13,805
MCR (higher of linear MCR and MCR floor)	**17,469**	**(3,664)**	**13,805**

Note: For 2024 the Absolute Floor of the Minimum Capital Requirement (AMCR), as prescribed by the PRA, was £3.5m.

The following information, by Solvency II Line of Business, were used to calculate the Linear MCR:

- Net written premium in the previous 12 months to the valuation date.
- Net best estimate technical provisions.

E2.4 Material changes to the SCR and MCR over the reporting period, and the reasons for any such change.

The decreases in the SCR and MCR between 31 December 2023 and 31 December 2024 were consistent with the reduction in business. This was evidenced via a quarterly risk monitoring report with prescribed triggers, agreed by the Board and applied to the material drivers of the SCR and MCR to monitor potential deviations from the last valuation date.

The alternative premium volume calculation method was adopted for the SCR calculation at 31 December 2024.

The previous method takes the higher of the earned premiums in the previous 12 months or the upcoming 12 months, whereas the alternative calculation only considers the latter. This reduces Premium Risk.

The transition into run-off from 1 January 2020 will further reduce TMKI's written and earned premium in 2025 compared with 2024. As such, the exposure in the last 12 months was no longer considered to be representative of the ongoing exposure of TMKI's portfolio in 2024.

TMKI notified the PRA in 2019 about this change in line with EIOPA's guidance, prior to the 2018 annual submission. The PRA have acknowledged this notice and requires TMKI to continue to monitor the earned premium forecast for each year prospectively.

E3 Use of duration-based equity risk sub-module in the calculation of the SCR

Not applicable.

E4 Differences between the Standard Formula and any internal model used

Not applicable.

E5 Non-compliance with the MCR and non-compliance with the SCR

TMKI met both regulatory capital requirements throughout the year.

E6 Any other information

There is no other information to be reported.

Governing body's responsibility for the SFCR

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been supplemented by the approvals made by the PRA, under the PRA rules and Solvency II regulations on which they are based as detailed below:

We are satisfied that:

a. throughout the financial year in question, TMKI has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the Company; and

b. it is reasonable to believe that, at the date of publication of the SFCR, TMKI has continued to comply and will continue to do so in future.

On behalf of the TMKI Board

DocuSigned by:

Reeken Patel

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Reeken Patel

Deputy Chief Executive Officer & Chief Financial Officer

31 March 2025

Glossary

Acronym / Term	Meaning
ABS	Asset-Backed Securities
ALAE	Allocated Loss Adjustment Expenses
ALM	Asset Liability Management
AOF	Ancillary Own Funds
ARF	Absolute Return Funds
BBNI	Bound But Not Incepted
BRS	BlackRock Solutions, TMK's outsourcing providers for investment-related accounting and reconciliations tasks
CEO	Chief Executive Officer
COBS	Conduct of Business Sourcebook, which is part of the FCA Handbook
Economic Capital	The amount of risk capital to be held by a firm in order for it to cover the risks it is exposed to in a worst-case scenario
EIOPA	The European Insurance and Occupational Pensions Authority
ENIDs	Events Not In Data
ESG	Economic Scenario Generator
EU	European Union
FCA	Financial Conduct Authority
FRS	Financial Reporting Standard
FTSE	Financial Times Stock Exchange
GAAP	General Accepted Accounting Principles
GWP	Gross Written Premium
IAS	International Accounting Standard
IBOXX	Bond market indices used as benchmarks for asset allocation
ICF	Internal Control Framework document
IFRS	Valuation in accordance with International Financial Reporting Standards as adopted in the EU
IPT	Insurance Premium Tax
IT	Information Technology
MCR	Minimum Capital Requirement
MMF	Money Market Fund
NEDs	Non-Executive Directors
Ogden Rates	The rate usually specified by the UK government as the basis for calculating personal injury compensations by insurance companies
ORSA	Own Risk and Solvency Assessment
OWRI	Outward Reinsurance
PRA	Prudential Regulation Authority
QRT	Quantitative Reporting Templates
RCCC	Risk, Capital & Compliance Committee
Regulatory Capital	The level of capital a financial institution is required to hold by regulator(s) based on the firm's risk profile
RSR	Regulatory Solvency Ratio
Reverse Stress Testing	A form of stress test in which the starting assumption of failure of the business. It is used to examine scenarios that could potentially result in business failure
RISC	Reinsurance Security Committee
S&P	Standard & Poor's, a rating agency
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirement

Acronym / Term	Meaning
SII	Solvency II, the new regulatory regime for European insurance and reinsurance firms
SF	Standard Formula
Stress Tests	Tests used to examine the potential impact of individual events on the continues operation, profitability, capital adequacy and solvency of the business
TMHD	Tokio Marine Holdings Inc
TMK/TMKGL	Tokio Marine Kiln/Tokio Marine Kiln Group Limited
TMKI	Tokio Marine Kiln Insurance Limited
TMKS	Tokio Marine Kiln Syndicates Limited
TMNF	Tokio Marine Nichido Fire Insurance Inc
TPs	Technical Provisions
TPA	Third Party Administrator
UCITS	A European Mutual Fund; UCITS means "Undertakings for Collective Investment in transferrable Securities"
ULAE	Unallocated loss adjustment expenses
USP	Undertaking-Specific Parameter
WTW	Willis Towers Watson, a global advisory, broking and financial solution providers
XL	Excess of Loss reinsurance contract

Tokio Marine Kiln

Solvency and Financial Condition Report

Disclosures

31 December

2024

(Monetary amounts in GBP thousands)

General information

Entity name	Tokio Marine Kiln Insurance Limited
Entity identification code and type of code	LEI/391200DTAYLSAHINXK49
Type of undertaking	Non-life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	31 December 2024
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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IR.02.01.02 - Balance sheet

IR.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

IR.05.04.02 - Non-life income and expenditure : reporting period

IR.17.01.02 - Non-Life Technical Provisions

IR.19.01.21 - Non-Life insurance claims

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

IR.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

IR.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	1,690
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	214,222
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	196,204
R0140	*Government Bonds*	29,465
R0150	*Corporate Bonds*	153,479
R0160	*Structured notes*	0
R0170	*Collateralised securities*	13,260
R0180	*Collective Investments Undertakings*	11,986
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	6,031
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	34,437
R0280	*Non-life and health similar to non-life*	34,437
R0315	*Life and health similar to life, excluding index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	578
R0370	Reinsurance receivables	1,154
R0380	Receivables (trade, not insurance)	1,433
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	5,979
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	259,493

	Liabilities	Solvency II value
		C0010
R0505	Technical provisions - total	124,027
R0510	*Technical provisions - non-life*	124,027
R0515	*Technical provisions - life*	0
R0542	Best estimate - total	120,586
R0544	*Best estimate - non-life*	120,586
R0546	*Best estimate - life*	
R0552	Risk margin - total	3,441
R0554	*Risk margin - non-life*	3,441
R0556	*Risk margin - life*	
R0565	Transitional (TMTP) - life	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	0
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	2,752
R0830	Reinsurance payables	617
R0840	Payables (trade, not insurance)	3,754
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in Basic Own Funds*	
R0870	*Subordinated liabilities in Basic Own Funds*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	131,150
R1000	**Excess of assets over liabilities**	128,343

IR.05.02.01

Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
R0010			BD	IL	PE	US	LU	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	594	0	0	0	17	0	612
R0120	Gross - Proportional reinsurance accepted	-38	103	101	70	10	27	272
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	-496	0	40	0	34	-3	-425
R0200	Net	1,053	103	60	70	-7	30	1,309
	Premiums earned							
R0210	Gross - Direct Business	330	0	0	0	88	0	419
R0220	Gross - Proportional reinsurance accepted	-38	63	136	70	31	27	290
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	540	0	54	0	38	-3	628
R0300	Net	-247	63	82	70	82	30	80
	Claims incurred							
R0310	Gross - Direct Business	-16,268	0	0	0	1,164	0	-15,104
R0320	Gross - Proportional reinsurance accepted	38	0	1,735	64	2,093	-2,393	1,536
R0330	Gross - Non-proportional reinsurance accepted	-76	0	0	0	0	0	-76
R0340	Reinsurers' share	-13,488	0	692	0	802	-138	-12,130
R0400	Net	-2,818	0	1,043	64	2,454	-2,256	-1,513
R0550	**Net expenses incurred**	4,178	16	13	19	21	-38	4,210

IR.05.04.02

Non-life income and expenditure : reporting period

		All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)	Non-life insurance and accepted proportional reinsurance obligations									
				Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance - personal lines	Motor vehicle liability insurance - non-personal lines	Motor vehicle other motor insurance - personal lines	Motor vehicle other motor insurance - non-personal lines	Marine, aviation and transport insurance	Fire and other damage to property insurance - personal lines	Fire and other damage to property insurance - non-personal lines
		C0010	C0015	C0110	C0120	C0130	C0140	C0141	C0150	C0151	C0160	C0170	C0180
	Income												
	Premiums written												
R0110	Gross written premiums		919	-70			0	0	0	0	-108	0	1,019
R0111	Gross written premiums - insurance (direct)		625	0			0	0	0	0	3	0	540
R0113	Gross written premiums - accepted reinsurance		294	-70			0	0	0	0	-112	0	479
R0160	Net written premiums		1,161	-70			0	0	0	0	-106	0	1,269
	Premiums earned and provision for unearned												
R0210	Gross earned premiums		872	-70			0	0	0	0	-108	0	924
R0220	Net earned premiums		51	-70			0	0	0	0	-106	0	110
	Expenditure												
	Claims incurred												
R0610	Gross (undiscounted) claims incurred		-5,787	39			0	0	0	0	8,525	0	-14,296
R0611	Gross (undiscounted) direct business		-14,052	0			0	0	0	0	2,001	0	-17,998
R0612	Gross (undiscounted) reinsurance accepted		8,265	39			0	0	0	0	6,525	0	3,702
R0690	Net (undiscounted) claims incurred		-864	39			0	0	0	0	162	0	322
R0730	Net (discounted) claims incurred	-864	-864										
	Analysis of expenses incurred												
R0910	Technical expenses incurred net of reinsurance ceded	4,472											
R0985	Acquisition costs, commissions, claims management costs	141	141	-37			0	0	0	0	-67	0	165
	Other expenditure												
R1140	Other expenses	0											
R1310	**Total expenditure**	4,787											

IR.05.04.02

Non-life income and expenditure : reporting period

		Non-life insurance and accepted proportional reinsurance obligations								Accepted non-proportional reinsurance				Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
		General liability insurance				Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation and transport	Property		
		Employers Liability	Public & products Liability	Professional Indemnity	Other general liability										
		C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0310	C0320	C0330	C0340	C0525	C0545
	Income														
	Premiums written														
R0110	Gross written premiums	0	55	0	9	0	0	0	14		0	0	0		
R0111	Gross written premiums - insurance (direct)	0	82	0	0	0	0	0	0						
R0113	Gross written premiums - accepted reinsurance	0	-27	0	9	0	0	0	14		0	0	0		
R0160	Net written premiums	0	44	0	9	0	0	0	14		0	0	0		
	Premiums earned and provision for unearned														
R0210	Gross earned premiums	0	103	0	9	0	0	0	14		0	0	0		
R0220	Net earned premiums	0	92	0	9	0	0	0	14		0	0	0		
	Expenditure														
	Claims incurred														
R0610	Gross (undiscounted) claims incurred	1,037	618	-56	236	0	0	0	-1,352		-233	41	-346		
R0611	Gross (undiscounted) direct business	1,029	972	-56	0	0	0	0	0						
R0612	Gross (undiscounted) reinsurance accepted	8	-354	0	236	0	0	0	-1,352		-233	41	-346		
R0690	Net (undiscounted) claims incurred	15	159	-39	154	0	0	0	-1,224		-239	41	-255		
R0730	Net (discounted) claims incurred														
	Analysis of expenses incurred														
R0910	Technical expenses incurred net of reinsurance ceded														
R0985	Acquisition costs, commissions, claims management costs	2	4	0	5	0	0	0	65		2	0	3		
	Other expenditure														
R1140	Other expenses														
R1310	**Total expenditure**														

IR.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
	Best estimate																	
	Premium provisions																	
R0060	Gross	0			0	0	0	71	75	0	0	0	0		0	0	0	145
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0					0	75	0	0	0	0	0		0	0	0	75
R0150	**Net Best Estimate of Premium Provisions**	0			0	0	0	-4	74	0	0	0	0		0	0	0	70
	Claims provisions																	
R0160	Gross	534			0	0	17,716	38,658	62,180	0	0	0	25		828	462	38	120,441
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0					14,637	9,508	10,179	0	0	0	0		99	-61	0	34,362
R0250	**Net Best Estimate of Claims Provisions**	534			0	0	3,079	29,150	52,002	0	0	0	25		729	523	37	86,078
R0260	**Total best estimate - gross**	534					17,716	38,729	62,255	0	0	0	25		828	462	38	120,586
R0270	**Total best estimate - net**	534			0	0	3,079	29,146	52,076	0	0	0	25		729	523	37	86,148
R0280	**Risk margin**	21					123	1,164	2,080	0	0	0	1		29	21	1	3,441
R0320	**Technical provisions - total**	555			0	0	17,839	39,893	64,335	0	0	0	25		857	483	39	124,027
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0			0	0	14,637	9,583	10,179	0	0	0	0		99	-61	0	34,437
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	555			0	0	3,202	30,310	54,156	0	0	0	25		758	544	39	89,590

IR.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Underwriting year

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

	Year	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 Sum of years (cumulative)
		Development year												
R0100	Prior											1,056	1,056	1,056
R0160	-9	64,148	51,560	14,787	15,325	3,734	2,013	2,135	674	1,675	324		324	156,376
R0170	-8	19,228	53,219	26,495	6,025	4,366	1,913	1,770	471	1,055			1,055	114,543
R0180	-7	19,392	49,415	24,297	17,079	10,069	12,100	5,122	3,330				3,330	140,805
R0190	-6	33,375	59,992	36,521	20,045	14,950	15,744	12,257					12,257	192,884
R0200	-5	52,530	42,951	30,887	12,365	10,734	9,341						9,341	158,809
R0210	-4	170	1,520	52	222	7							7	1,971
R0220	-3	0	0	0	0								0	0
R0230	-2	0	0	0									0	0
R0240	-1	0	0										0	0
R0250	0	0											0	0
R0260												Total	27,370	766,444

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 Year end (discounted data)
		Development year											
R0100	Prior											8,835	8,261
R0160	-9	0	0	0	0	0	0	0	0	0	1,749		1,604
R0170	-8	0	0	0	0	0	0	0	0	10,389			9,227
R0180	-7	0	0	0	0	0	0	0	31,605				29,073
R0190	-6	0	0	0	0	0	0	58,394					53,460
R0200	-5	0	0	0	0	0	19,181						18,635
R0210	-4	0	0	0	0	183							181
R0220	-3	0	0	0	0								0
R0230	-2	0	0	0									0
R0240	-1	0	0										0
R0250	0	0											0
R0260												Total	120,441

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Gross premium

		C0570 Gross earned premium at reporting reference date	C0580 Estimate of future gross earned premium
R0160	N-9	229,986	74
R0170	N-8	222,441	424
R0180	N-7	277,404	260
R0190	N-6	279,369	244
R0200	N-5	159,588	0
R0210	N-4	667	0
R0220	N-3	0	0
R0230	N-2	0	0
R0240	N-1	0	0
R0250	N	0	0

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Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	35,000	35,000		0	
R0030	Share premium account related to ordinary share capital	186,000	186,000		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-94,347	-94,347			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	1,690				1,690
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0290	**Total basic own funds after deductions**	128,343	126,653	0	0	1,690
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	128,343	126,653	0	0	1,690
R0510	Total available own funds to meet the MCR	126,653	126,653	0	0	
R0540	Total eligible own funds to meet the SCR	128,343	126,653	0	0	1,690
R0550	Total eligible own funds to meet the MCR	126,653	126,653	0	0	
R0580	**SCR**	55,219				
R0600	**MCR**	13,805				
R0620	**Ratio of Eligible own funds to SCR**	232.43%				
R0640	**Ratio of Eligible own funds to MCR**	917.46%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	128,343
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0725	Deductions for participations in financial and credit institutions	
R0730	Other basic own fund items	222,690
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-94,347

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Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

		C0010
	Market risk	
R0070	Interest rate risk	2,804
R0080	Equity risk	0
R0090	Property risk	0
R0100	Spread risk	4,396
R0110	Concentration risk	232
R0120	Currency risk	6,918
R0125	Other market risk	
R0130	Diversification within market risk	-4,350
R0140	**Total Market risk**	10,000
	Counterparty default risk	
R0150	Type 1 exposures	2,398
R0160	Type 2 exposures	236
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	-54
R0180	**Total Counterparty default risk**	2,580
	Life underwriting risk	
R0190	Mortality risk	
R0200	Longevity risk	
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	
R0270	**Total Life underwriting risk**	0
	Health underwriting risk	
R0280	Health SLT risk	0
R0290	Health non SLT risk	91
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	0
R0320	**Total Health underwriting risk**	91
	Non-life underwriting risk	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	21,756
R0340	Non-life catastrophe risk	36,325
R0350	Lapse risk	33
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	-11,338
R0370	**Non-life underwriting risk**	46,776
R0400	**Intangible asset risk**	
	Operational and other risks	
R0422	Operational risk	3,618
R0424	Other risks	
R0430	**Total Operational and other risks**	3,618
R0432	**Total before all diversification**	78,807
R0434	Total before diversification between risk modules	63,065
R0436	Diversification between risk modules	-7,846
R0438	**Total after diversification**	55,219
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	
R0455	Other adjustments	
R0460	**Solvency capital requirement including undisclosed capital add-on**	55,219
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	**Solvency capital requirement including capital add-on**	55,219
R0490	Biting interest rate scenario	decrease
R0495	Biting life lapse scenario	

IR.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	8,794

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	534	0
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	0	0
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	3,079	0
R0080	Fire and other damage to property insurance and proportional reinsurance	29,146	1,269
R0090	General liability insurance and proportional reinsurance	52,076	53
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	25	14
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	729	0
R0160	Non-proportional marine, aviation and transport reinsurance	523	0
R0170	Non-proportional property reinsurance	37	0

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

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

	Overall MCR calculation	C0070
R0300	Linear MCR	8,794
R0310	SCR	55,219
R0320	MCR cap	24,848
R0330	MCR floor	13,805
R0340	Combined MCR	13,805
R0350	Absolute floor of the MCR	3,500
R0400	**Minimum Capital Requirement**	13,805