



TOKIO MARINE
KILN

Solvency and Financial Condition Report 2022

Tokio Marine Kiln Insurance Limited

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1. Summary

1.1 Business summary

Tokio Marine Kiln Insurance Limited (TMKI) was originally established as a controlling company of Tokio Marine & Nichido Fire Insurance Co., Ltd. (TMNF) for policies written in the United Kingdom (UK) and European Union, with a network of offices and agency representation in continental Europe.

Following a review of the Tokio Marine Group's European operations, a strategic decision was taken in 2019 to restructure the legal entities within the Group to better align them for sustainable and profitable growth. One of the key changes within this new strategy was to place company platform business previously written by TMKI into run-off with effect from 1 January 2020. As a result:

- Renewal of the historically unprofitable UK Regional Business ceased on 1 July 2019;
- The UK Japanese Business (J-Business) was offered for renewal through a sister company within the Tokio Marine HCC Group.

Despite being placed into run-off, TMKI remains a commercial insurer with financial strength and benefits from being a member of Tokio Marine Holdings, Inc. (TMHD), one of the largest insurance groups in the world, which enabled it to offer substantial amounts of coverage to selected corporate clients, supported by significant intra-group reinsurance.

1.2 Performance summary

TMKI's operating result for the year-ended 31 December 2022 was a loss before tax of £11.2 million, which represented an improvement on the loss before tax of £14.3 million for the year-ended 31 December 2021. Similarly, the loss after tax of £8.1 million in 2022 was an improvement on the £11.5 million loss after tax in 2021. This improvement against the performance for 2021 was due to the stabilisation in claims performance after the Covid-19 global pandemic in 2020 partly offset by losses on investments as bond values fell in response to rising yields and central bank action to temper the high inflationary environment.

The underwriting result in 2022 was a £3.8 million loss compared to a £9.8 million loss in 2021.

Gross written premium decreased to (£0.8) million from £5.1 million and net earned premium decreased to (£0.5) million from £9.2 million due to the Company being in run-off and the cost of additional reinsurance cover for the run-off period. Net claims incurred experienced favourable movements of £4.2 million compared to a deterioration of £12.6 million in 2021 mainly due to the expiry of engineering construction policies without extension due to delays caused by Covid-19.

Net acquisition costs and other operating expenses decreased to £5.4 million from £9.7 million as premium reduced and the Company reduced its operations in line with the continued run-off.

TMKI recorded a net investment loss of £7.9 million in 2022 against a net loss of £2.9 million in 2021 due to an increase in unrealised losses on bonds as bond values fell in response to an increase in yields. With over half of investment assets comprising Sterling-denominated fixed income securities, total investment performance is materially affected by movements in UK yields.

There were no other business or operating events that had a significant impact on the solvency and financial condition of the business in 2022.

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, 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 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, and the risk reporting process fully aligned, with quarterly and annual ORSA processes. Risk information is reported through the quarterly ORSA Lite report to the Risk, Capital & Compliance Committee (RCCC). The forward-looking assessments of risk and capital within the annual ORSA report are also used for the Board's strategic decision-making, which includes medium-term planning.

1.4 Risk profile summary

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

As TMKI was placed into run-off from 1 January 2020, the risk profile of the company changed over the course of the year as unearned exposures expired and non-insurance areas of the company's operation have been de-risked – most notably non-investment credit risk.

In term of underwriting risk, TMKI now has significantly reduced natural catastrophe exposures but has increased man-made Fire cat risk net exposure due to the increase in insured values as construction progresses on long term construction policies. This has led to an increase in the overall cat risk exposure despite only a small number of risks remaining in force. 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 and lapse risk reduce. 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 significantly during 2022.

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 obligation as they fall due. Asset liquidity is monitored by the Investment Committee and is a core part of risk appetite reporting to the Run-off Committee and RCCC.

Other risks to TMKI are Regulatory risk, Conduct risk and Reputational risk.

There were no other material changes to TMKI's risk profile between 31 December 2021 and 31 December 2022.

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 2021 and 31 December 2022 as follows:

Description	31 Dec 2022 (£'000s)	31 Dec 2021 (£'000s)
Total equity per GAAP financial statements	112,958	121,082
Difference in net technical provisions including DAC	(4,194)	(11,295)
Difference in net (re)insurance debtors and creditors	3,138	3,072
Difference in other items	6	(2)
SII Basic Own Funds	111,908	112,857
Ancillary Own Funds	30,000	30,000
Total available Own Funds to meet the SCR	141,908	142,857

There were no material changes to the valuation methodologies for solvency purposes between 31 December 2021 and 31 December 2022.

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 quarterly 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.

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The amount of the SCR, MCR and the eligible amount of own funds to cover these requirements classified by tiers as at 31 December 2022 are as provided in the tables below:

Description (£'000s)	31 Dec 2022			31 Dec 2021	
	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	(113,393)	-	-	(113,393)	(111,098)
Net deferred tax assets	-	-	3,924	3,924	2,955
Total Basic Own Funds	107,607	-	3,924	111,531	112,857
Ancillary Own Funds					
Letters of credit	-	30,000	-	30,000	30,000
Available and Eligible Own Funds					
Total available own funds to meet SCR	107,607	30,000	3,924	141,531	142,857
Total available own funds to meet MCR	107,607	-	-	107,607	109,902
Total eligible own funds to meet SCR	107,607	30,000	3,924	141,531	142,857
Total eligible own funds to meet MCR	107,607	-	-	107,607	109,902

Description	31 Dec 2022 (£'000s)	31 Dec 2021 (£'000s)
SCR	76,772	75,339
MCR	19,193	18,835
Ratio of Eligible Own Funds to SCR	184.8%	189.6%
Ratio of Eligible Own Funds to MCR	562.6%	583.5%

The changes in the SCR and MCR between 31 December 2021 and 31 December 2022 reflect the changes in business composition and the resultant risk profile.

TMKI has in place Ancillary Own Funds (AOF) held in the form of a Letter of Credit for £30.0 million, which is valid until December 2023. This was originally approved by the PRA in December 2021 and in November 2022 the approval period was extended to December 2025.

TMKI has no volatility, matching or transitional arrangements.

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

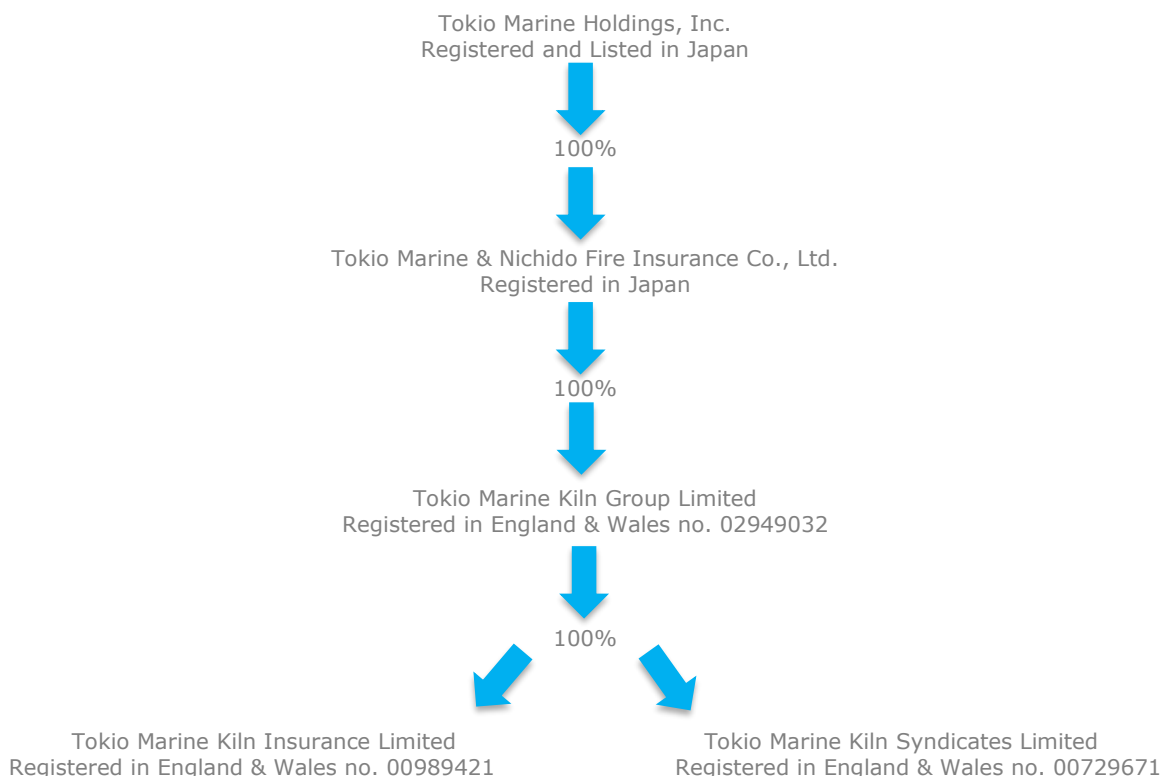
The external auditors are PricewaterhouseCoopers LLP, Chartered Accountants, 7 More London Riverside, London SE1 2RT.

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:



There are no natural persons with direct or indirect qualifying holdings in TMKI.

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 2022 and 2021

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 2022 and 31 December 2021.

	2022 (£'000s)	2021 (£'000s)	Variance (£'000s)
Gross premiums written	(797)	5,121	(5,918)
Outward reinsurance premiums	(4,773)	(3,631)	(1,142)
Net premiums written	(5,570)	1,490	(7,060)
Earned premiums, net of reinsurance	(528)	9,187	(9,715)
Claims incurred, net of reinsurance	4,215	(12,613)	16,828
Change in unexpired risks provision	(2,039)	3,350	(5,389)
Net acquisition costs	(904)	(4,020)	3,116
Other operating expenses	(4,520)	(5,662)	1,142
Underwriting result	(3,776)	(9,758)	5,982
Net investment income/(loss)	(7,947)	(2,949)	(4,998)
Foreign exchange gain/(loss)	508	(395)	903
Other income/(expense)	37	(1,174)	1,211
Loss before tax	(11,178)	(14,276)	3,098
Taxation	3,054	2,811	243
Loss after tax	(8,124)	(11,465)	3,341

Net earned premium decreased by £9.7m compared to 2021 due to the Company being in run-off and the purchase of additional run-off reinsurance cover in the period.

Net incurred claims improved by £16.8 million mainly due to the expiry of engineering construction policies without extension due to delays caused by Covid-19. The unexpired risks provision increased by £2.0 million in 2022 compared to a decrease of £3.4 million in 2021 also due to the cost of additional reinsurance cover.

Net acquisition costs and other operating expenses decreased by £4.3 million compared to 2021 as premium declined and the Company reduced its operations in run-off. The underwriting loss of £3.8 million in 2022 was an improvement on the £6.0 million loss reported in the prior year.

The net investment loss, foreign exchange gains/losses and other income/expense decreased this year to a £7.4 million loss compared to a £4.5 million loss in 2021, mainly due to unrealised investment losses on the bond portfolio. The overall loss before tax of £8.1 million was a £3.3 million improvement on the prior year due to the improvements in net incurred claims, acquisition costs and expenses.

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:

2022	GWP^[1]	NEP^[2]	NIC^[3]	NAQ^[4]	Op Exp^[5]	Underwriting result
	(£'000s)	(£'000s)	(£'000s)	(£'000s)	(£'000s)	(£'000s)
Medical Expense	(115)	(115)	155	69	(5)	104
Marine, Aviation & Transport	(761)	(751)	2,329	548	(215)	1,911
Fire & other Property Damage	(677)	(2,602)	4,467	338	(2,546)	(343)
General Liability	820	903	(6,347)	(374)	(306)	(6,124)
Assistance	-	-	(8)	-	-	(8)
Miscellaneous Financial Loss	(141)	1,961	1,658	(1,454)	(1,446)	719
Non-Proportional Casualty	-	-	(13)	-	-	(13)
Non-Proportional Property	77	76	(65)	(31)	(2)	(22)
	(797)	(528)	2,176	(904)	(4,520)	(3,776)

2021	GWP^[1]	NEP^[2]	NIC^[3]	NAQ^[4]	Op Exp^[5]	Underwriting result
	(£'000s)	(£'000s)	(£'000s)	(£'000s)	(£'000s)	(£'000s)
Medical Expense	15	16	(419)	(350)	(10)	(763)
Marine, Aviation & Transport	(791)	546	544	(65)	(337)	688
Fire & other Property Damage	4,224	3,472	(4,924)	(542)	(2,140)	(4,134)
General Liability	1,737	1,915	3,464	(609)	(1,180)	3,590
Assistance	-	-	(2)	-	-	(2)
Miscellaneous Financial Loss	(16)	3,275	(7,894)	(2,456)	(2,018)	(9,093)
Non-Proportional Casualty	-	-	(33)	-	-	(33)
Non-Proportional Property	(48)	(37)	1	2	23	(11)
	5,121	9,187	(9,263)	(4,020)	(5,662)	(9,758)

[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')

The key performance indicator is the underwriting result which drives the objective of achieving an orderly run-off and which is shown in the table above.

For 2022, TMKI's book separates into four main Solvency II lines of business: Marine, Aviation & Transport (MAT), Fire & other Property Damage (Property), General Liability and Miscellaneous Financial Loss. These four classes represent 97% of the total net incurred claims in 2022 and 102% of the underwriting loss of £3.8 million.

Commentary is provided below for these four classes:

Marine, Aviation & Transport

The Marine, Aviation & Transport Solvency II line of business reported an underwriting profit of £1.9 million compared to a profit of £0.7 million in 2021 mainly due to favourable claims experience on accepted reinsurance contracts.

Fire & other Property Damage

The Property Solvency II line of business reported an underwriting loss of £0.3 million compared to a loss of £4.1 million in 2021 mainly due to the expiry of engineering construction policies without extension due to delays caused by Covid-19.

General Liability

The General Liability Solvency II line of business achieved an underwriting profit £6.1 million compared to a profit of £3.6 million in 2021 due to additional IBNR claims provisions for liability business.

Miscellaneous Financial Loss

The Miscellaneous Financial Loss Solvency II line of business reported an underwriting profit of £0.7 million compared to a loss of £9.1 million in 2021 due to premium earned on long period policies and stabilisation of the claims portfolio.

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:

2022	GWP	NEP	NIC	NAQ	Op Exp	Underwriting result
	(£'000s)	(£'000s)	(£'000s)	(£'000s)	(£'000s)	(£'000s)
United Kingdom	656	329	13,677	(1,983)	(4,520)	7,504
United States of America	19	340	(11,294)	(79)	-	(11,033)
Luxembourg	(2,143)	(2,133)	5,752	1,330	-	4,949
Other	671	936	(5,959)	(172)	-	(5,195)
	(797)	(528)	2,176	(904)	(4,520)	(3,776)

United Kingdom

The UK, which is TMKI's largest underwriting territory under Solvency II, produced an underwriting profit of £7.5 million, an improvement on the £13.0 million loss reported in the prior year mainly due to the expiry of engineering construction policies without extension due to delays caused by Covid-19.

United States of America

The underwriting loss of £11.0 million was mainly driven by Hurricane Michael claims and engineering construction project losses.

Luxembourg

The underwriting profit of £4.9 million was mainly driven by improvements in incurred claims partly due to savings in Covid-19 losses.

Other

The underwriting loss of £5.2 million was mainly driven by engineering construction project losses.

A3 Investment performance

A3.1 Income and expenses from investments by asset class

The investment portfolio as at 31 December 2022 consisted of investment grade fixed income securities, an Absolute Return Fund, 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.

	2022 (£'000s)	2021 (£'000s)
Government bonds	(3,037)	(1,410)
Corporate/agency bonds	(4,846)	(1,085)
Securitised	38	20
Money market funds and cash	446	19
Absolute Return Fund	(177)	(136)
Gross investment return	(7,576)	(2,592)
Investment management fees	(371)	(357)
Net investment return	(7,947)	(2,949)

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 2022 was a loss of £7.9 million compared to a loss of £2.9 million in the previous year. With over half of investment assets comprising Sterling denominated fixed income securities, total investment performance is materially affected by movements in UK yields. The position in the Absolute Return Fund was fully liquidated during the first quarter of 2023.

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 are less than 1% of TMKI's total investment assets. A small portion of securitised assets were also indirectly held via the ARF position. The materiality of such securities is monitored and reviewed quarterly.

A4 Performance of other activities

A4.1 Other material income and expenses

Other income and expenses increased to £37,000 income in 2022 from £1.2 million expense in 2021.

A4.2 Material leasing arrangements

TMKI has no material 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 expiry of engineering construction policies without extension due to delays caused by Covid-19.

A5.2 Additional information on the impact of potential losses arising from long-tail liability 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 is 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 business 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.

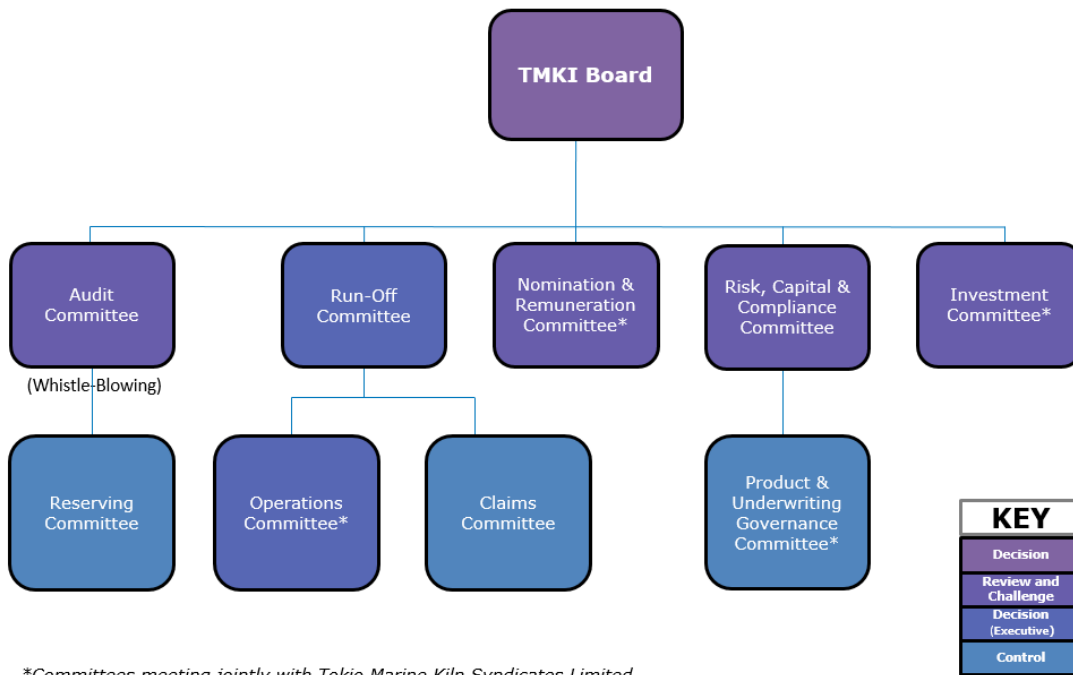
The Terms of Reference specify the matters reserved for decision by the Board. These include items relating to:

- 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, Group 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:



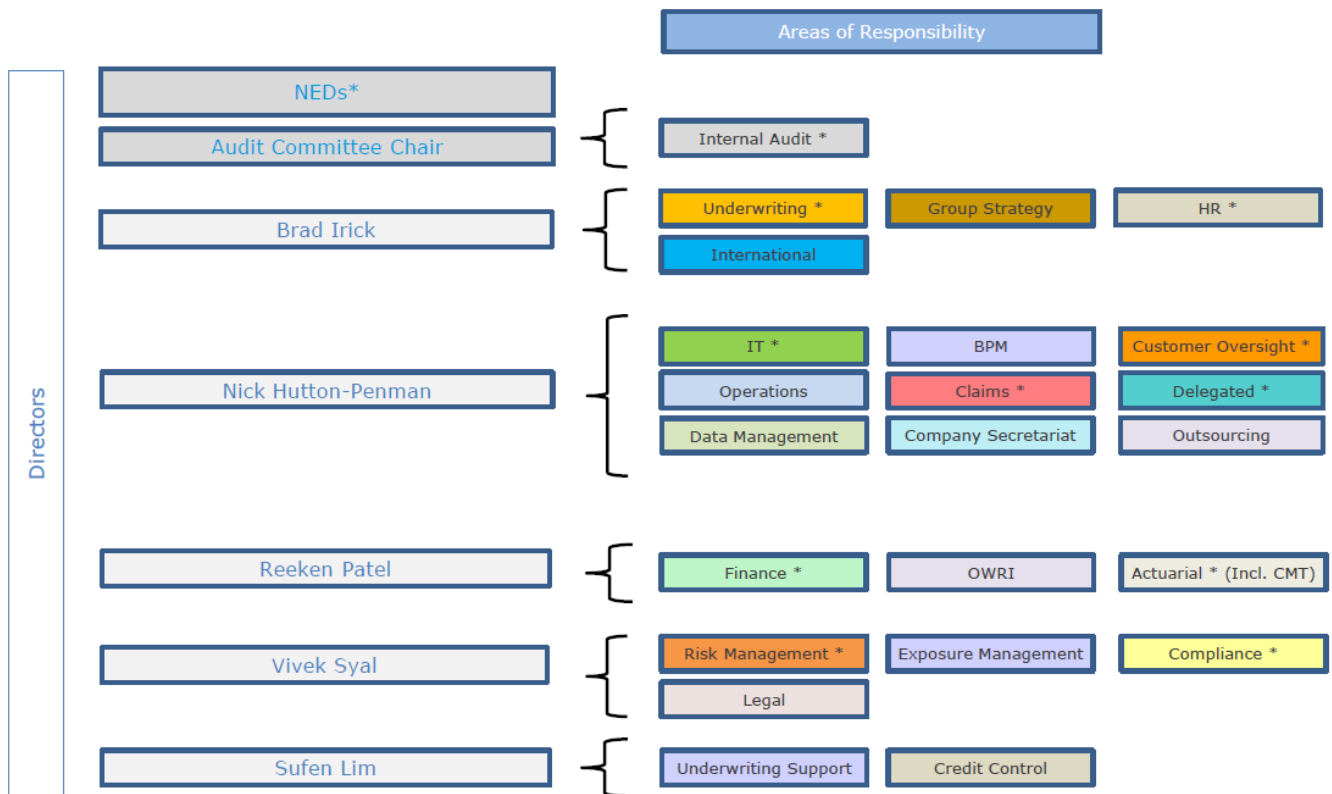
The Claims Committee has been disbanded with effect from 1 January 2023 with the Run-Off Committee assuming the function of the Claims Committee.

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:



* Denotes Key Function

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 assists with 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, supporting regular departmental risk assessments, conducting special risk assessments, 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 that monitors whether existing business processes and practice are being operated in a compliant manner. O&A also conducts regular monitoring and oversight of the business to identify areas of potential breaches of regulations.

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" (for example, members of the Run-Off Committee);
- key function holders;
- those who have a material impact on TMKI's risk profile, based on role held; and
- Chair of the Product & Underwriting Governance Committee.

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;
- take into account 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

- **Fixed pay** comprises salary, pension and benefits. Salaries are benchmarked annually to ensure that each employee is paid the market rate for the position he or she fills.
- **Variable pay** rewards employees for their contribution to TMKI and recognises contributions above the performance expected of their role.

Variable remuneration further supports the market competitiveness of Total Compensation at TMKI, ensuring that consistently high performing employees are rewarded for their contribution to delivering the Company's strategic objectives.

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 an assessment by an external investigator.

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, where applicable;
- 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. All employees are also required to self-assess their fitness and propriety each year and are asked to notify the HR team if there are any changes to their circumstances.

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, Compliance & Capital Committee (RCCC), a committee of the Board.

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 many 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 refreshed in 2020 to reflect the Company's run-off status.

Risks from the Risk Universe are assessed for materiality and included in the Risk Register for monitoring and management. The Risk Register is the source of regular risk reporting to the Run-off Committee, the RCCC and the Board. This allows a direct flow of risk information from the Risk Universe to the RMT's quarterly reporting process, thus providing a joined-up and overarching view of risk for senior management and the business.

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. These preferences change over time as the strategy develops and adapts to, or capitalises on, market changes.

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 2022 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 on a quarterly basis to the Run-off Committee and RCCC on risk management matters via the ORSA Lite. This report provides information on movements in the profile of top risks over the quarter 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 (both the quarterly ORSA Lite and the annual ORSA report) are included in Section B3.3.
- Stress and scenario testing 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 ORSA process is documented in the 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 ORSA policy is reviewed and re-approved on an annual basis by the Board.

The 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 Board reviews, challenges and approves the findings of the ORSA process, through the quarterly ORSA Lite reports and the annual ORSA Report.

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. The Internal Audit function reviews the ORSA Policy, process and annual report as part of a risk-based plan of activity.

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:

- failure in underlying controls or risk assessment processes leading to an incorrect assessment of capital requirements;
- major market loss (if applicable to TMKI's unearned exposure);
- major change in the Group's business plan;
- failure of counterparties or reinsurers, where there is significant exposure;
- a major change to the TMK strategy.

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.

ORSA Lite

The ORSA Lite contains, amongst other things:

- updates on all key risks faced by the business. This include risks covered by the Solvency Capital Requirement calculation as well as non-modelled risks, such as Reputational and Strategic risk, ensuring the Dashboard reflects the risk profile of the business; and
- Risk appetite information, which is consolidated using risk metrics to track the status of the most significant risks against risk appetite over time.

These are reported to the RCCC on monthly and quarterly basis, respectively.

The ORSA Lite is reviewed and challenged by the Run-off Committee and the RCCC and approved by the Board.

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 output of this assessment is included in the annual ORSA report compiled by the RMT. This report is based on the quarterly ORSA Lite, the outputs of each stage of the ORSA process, and supplementary information from across the business (including, most critically, the business planning process and the associated projected capital requirements). Forward looking activities in the annual report include:

- the RMT holding discussions with business functions to identify exposure changes, reinsurance trends and assumptions for the short to medium term;
- the RMT meeting with senior management to gain their strategic views for the run-off period;
- 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 for the next three years;
- the RMT reviewing the outputs of the forward-looking assessment of risk and capital, whilst considering the overall business strategy. Assessment of whether the risk and capital amounts required to implement the business strategy for the next 3 years remain within the agreed RAF preferences, risk tolerances and metrics and escalation of concerns to the Run-off Committee and RCCC;
- the RMT assessing management actions in the event of adverse circumstances, such as lack of continued capital support;
- the Run-off Committee reviewing the make-up of Own Funds between Basic Own Funds and Ancillary Own Funds; and
- the Board signing-off the 3-year plans, reviewing the risk and capital projections within the ORSA.

Stress and scenario testing process

Stress and scenario testing (SST) is a part of the RMF that allows the Company to better understand its business by assessing its ability to meet solvency and liquidity requirements under stressed conditions.

The approach to SST is set out across three pillars, as follows:

1. Extreme event scenarios 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.
2. Reverse stress tests are used to help the business to understand what could cause the failure of the business model. The business model is understood to be unviable at the point "at which the market loses confidence, which results in the firm no longer being able to carry out its business activities" (source: the PRA). This can be well before financial resources are exhausted, for example, from a major accounting impropriety, identification of collusion or another large impact to the Company's brand and subsequent loss of confidence from the market/regulator).
3. Sensitivity testing of the business plan stresses various key parameters to assess the impacts of these adjustments on profitability.

With the Company 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 performing targeted scenario tests that assess the key risks associated with the remaining exposures of the Company.

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 differences documented in the annual ORSA report. The SCR numbers are reviewed and signed off by the Board annually.

Regarding economic capital, detailed capital assessments and allocations are prepared by the Actuarial function. These 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 quarterly ORSA processes in the form of an ORSA Lite report to the Run-off Committee and the RCCC. The ORSA Lite contains qualitative and quantitative information on all risk categories the Company is exposed to, providing a comprehensive view of its risk profile over the year.

The annual ORSA report is reviewed and challenged by the Run-off Committee, the RCCC and the Board before its submission to the PRA and Lloyd's.

The contents of the quarterly and annual ORSA are a key source of information for senior management.

The principal uses of the ORSA are as follows:

- assessing the level of capital available to meet the current business requirements;
- as a key input to capital contingency planning;
- as a key input to the business planning and forecasting process;
- determining whether the risk appetite of the business remains appropriate;
- identifying and assessing risks that exceed the Company's risk appetite, and, if required, ensuring that appropriate remedial actions are taken;
- providing assurance to stakeholders that appropriate risk management and capital planning procedures are in place.

The RMT prepares the annual ORSA report based on quarterly ORSA Lite data, the outputs of each stage of the ORSA process and supplementary information from across the business. This is reviewed and challenged by the Run-off Committee and RCCC.

Once the RCCC is satisfied that the assessment is accurate and provides information required for capital allocation and strategic planning purposes, the report is recommended for approval by the Board and submitted to the PRA.

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 ORSA Lite provides an update on the business risk profile on a quarterly basis. Changes to risk and capital profiles over the quarter are highlighted with any necessary changes to strategy also noted.

The Chief Actuary provides the Run-off Committee and the RCCC with quarterly capital 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 regularly reported to the Run-off Committee and the RCCC through the quarterly ORSA. 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 GIA.

All the Company's departments are responsible for proactively managing their control environment. Each department has in place an Internal Control Framework (ICF), 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 ICFs 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, including testing of key controls on a periodic basis. The Internal Controls team (within the Risk Management team) is undertaking a process of 'onboarding' departments to a centralised controls framework stored in the risk management system, AuditBoard.

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 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 quarterly to the OC and the RCCC through the ORSA Lite, 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. Record relevant interactions with regulators, including notes of meetings and exchange of correspondence relating to regulatory matters.
Compliance Training and Education	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 Institute of Internal Auditors International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, the Definition 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 2022, both the Group Chief Actuary and TMKI Chief Actuary held Chief Actuary Practising Certificates issued by the Institute and Faculty of Actuaries and were 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 Framework. This Framework 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 four tiers. Contract tiers are based on risk/criticality and materiality. 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 1A: Material Outsourcing:

- 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

Tier 1B: 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

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

Tier 3: Any other contract with a supplier that does not fall into either Tier 1 Material Outsourcing, 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

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”.

A monthly working group led by Procurement meets monthly to review all Tier 1 contracts and determine if they are also material outsourcing in line with the requirements outlined above.

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, 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 placed 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 75% of TMKI's SCR due to the size of the reserves and the remaining unearned exposures. This has increased from 2021 as a percentage, as a result of faster de-risking in other areas of the business. Counterparty Default Credit risk was 7% of the SCR, while Market risk, which is conservatively managed in line with the Company's cautious investment strategy, constituted 11% 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 2022, underwriting risk constituted approximately 75% of TMKI's SCR, compared to 70% in 2021.

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.

Property and Engineering risks drove the underwriting risk, with Marine, Liability, Personal Accident and small amounts of other coverage making up the remainder. As of the end of 2022, the bulk of the remaining exposures are in the Engineering and Property Binders lines of business.

Property and Engineering was broken down into four areas: non-Japanese mid-corporate retail business; non-Japanese large corporate business; real estate (property owners) business; and Japanese commercial accounts. The other portfolios were not split down into a similar level of granularity, but they did include groupings into Japanese and non-Japanese exposures.

Marine was split across a variety of exposures; however, cargo and freight liability were the main components of the book. 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.

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.

As noted previously, the Property book made up over half of the overall underwriting risk and contained the majority of exposures from large fire risk and natural catastrophe exposures. The 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 £5 million for Property and \$5 million 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 £1 million for Liability and \$5 million for Marine. 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.

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 £50.2m 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 on 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 2022 comprised 11% of TMKI's SCR, down from 13% in 2021.

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 in the fourth quarter of each year 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 TMK Market Risk Management Policy also specifies 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 and the Risk, Capital & Compliance Committee (RCCC) on a quarterly basis.

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 regular 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.

BlackRock Investment Management (UK) Limited is engaged as an external portfolio manager. The appointment of Mitsubishi UFJ Asset Management (UK) Limited, a prior external portfolio manager, ended in February 2023. A selection of fixed income benchmarks which, when combined, approximate the key rate durations of the liabilities have been allocated to the portfolio manager. 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 Agreements.

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 monthly by an internal Treasury team and reported quarterly to the Investment Committee.

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 Interest Rate risk with the results making only a small impact on 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 2022 constituted 7% of its SCR, down from 8% in 2021.

C3.1 Credit risk assessment and mitigation

TMKI is exposed to two principal types of Credit risk: Reinsurer Credit risk and Counterparty Credit Default risk.

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.

The Investment Committee regularly tracks and reviews the Company's investment portfolio including Counterparty Credit Default risk.

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	2022 Default % of capital	2021 Default % of capital	Change between 2022 and 2021
AAA to AA-	10%	10%	Nil
A+ to A-	6%	6%	Nil
BBB+ & below	2%	2%	Nil

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

In managing TMKI's asset portfolio, the portfolio managers use 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 assessments. Non-rated financial investments can be predominantly attributed to the investment through the BlackRock UCITS (Undertakings for Collective Investment in Transferable Securities) Absolute Return Fund. The average rating of the constituent investments on a look-through basis is BBB.

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.

Credit Spread risk

Credit Spread risk is the potential loss in market value resulting from increase in credit spread levels. This can be due to several factors, ranging from a change in a borrower's ability to repay its debt, to a change in investor appetite for any particular asset or asset class.

Given that TMKI invests primarily in investment grade corporate bonds, where the probability of a default is very low, the contribution of Credit Spread risk to TMKI's overall risk profile is also very low.

The Company does not use credit derivatives to manage Credit Spread risk.

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 they 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.

Finally, the Company undertakes annual stress and scenario testing exercises in which at least one Liquidity risk scenario is always included.

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 2022 was £1.8 million.

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, processes or systems lead to losses to TMKI.

As at 31 December 2022, Operational risk constituted 7% of TMKI's SCR, down from 9% in 2021.

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.

Operational risk forms a significant part of TMK's risk register.

There is a strong risk reporting and risk governance system in place to ensure effective risk management of operational risk. The Risk, Capital & Compliance Committee review the most material elements of the operational risk profile quarterly, in line with the Risk Management Framework.

C5.2 Key Operational risks

TMKI's key material Operational risk exposures over the reporting period include:

- risk of sustained malicious attack on TMKI's systems, resulting in business disruption.
- risk of failure to effectively manage the Company's IT operations.
- breach of Information Security.

C5.3 Operational risk sensitivity and concentrations

Two operational scenario tests were conducted during the first quarter of 2023:

- A cyber-attack; and
- UK blackouts caused by surging energy demand.

For both scenarios, mitigants were in place to limit the likelihood and impact of the events occurring. Operational disruption could be significant in the aftermath of an extreme cyber-attack scenario that evades established information security measures. Working practices would be disrupted and access to systems limited during system recovery. The impact of the blackout is expected to be short-lived, arising during a period of cold weather, the consequences of a more extreme blackout scenario would need to be managed through flexible working practices and work prioritisation.

C6 Other material risks

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 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.

As a result of the UK's exit from the European Union, TMKI will continue to service our outstanding claims obligations in Europe for certain policies written on freedom of services basis through the temporary run-off regimes in the respective European countries where appropriate.

Conduct risk

This is an important element of regulatory risk and is the risk of financial and/or service detriment which adversely affects the customer due to failings in the customer value chain.

The Company's conduct objective is to build, maintain and enjoy long-term relationships with its customers whether it be directly or indirectly via a third party. This culture of partnership is fundamental to its dealings with its customers, and comes regardless of the complexity of the risk, the sophistication of the buyer, or the length of the supply chain to the end customer.

The conduct objective is owned by the Board and cascaded throughout the organisation. It is central in achieving delivery of the six Consumer Outcomes (as set out by the FCA), which are at the heart of the Company's business. The FCA's New Consumer Duty released in July 2022 sets higher and clearer standards of consumer protection. TMK has initiated a programme of work to implement and embed these new requirements throughout our business.

The Company 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 all its 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. The framework is applied in a proportionate, risk-based way which takes account of the different inherent conduct risk across products, distribution and customer types.

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 financial loss 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 included as a specific category in TMK's risk register and forms part of the regular risk assessment process, facilitated by the Risk Management team. It is reported on a quarterly basis 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 risk includes a range of physical, transitional, reputational, strategic and litigation risks arising from climate change.

The Board recognises the risks posed by climate change to the business, and the need for a robust risk management response which effectively identifies, measures, monitors, manages and reports those risks, both within the company and to its external stakeholders. During 2021/22 the Risk Management Team have worked closely with the Board, both collectively and with individuals, to develop TMK's climate related risk appetites and to ensure these are correctly integrated within our overarching risk management framework. Our climate risk appetites take into consideration the Tokio Marine Group Sustainability strategy and the Lloyd's Environmental, Social & Governance (ESG) 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 material class of asset

£'000s	UK GAAP	SII valuation	Difference
Material asset classes			
Investments	225,980	236,057	(10,077)
Cash and cash equivalents	13,333	3,261	10,072
Reinsurers' share of technical provisions	79,156	64,004	15,152
Deferred acquisition costs	258	-	258
Insurance debtors	2,201	2,185	16
Reinsurance debtors	1,117	250	867
Other debtors	11,525	11,525	-
Deferred tax asset	3,924	3,924	-
Total assets	337,494	321,206	16,288

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, UCIT Funds and short-term deposits. Whilst the total value of investments 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	83,494	106,326	(22,832)
Agency	46,834	-	46,834
Corporate	52,903	76,910	(24,007)
Securitised	1,581	1,581	-
MMF and Term Deposits	15,582	25,654	(10,072)
Funds	25,586	25,586	-
Total	225,980	236,057	(10,077)

At the year-end the bond portfolio was managed by two portfolio managers: BlackRock Investment Managers and Mitsubishi UFJ Asset Management (UK) Limited. The portfolio managed by Mitsubishi UFJ Asset Management (UK) Limited was fully liquidated during the first quarter of 2023, with proceeds injected into the BlackRock managed portfolio.

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 all priced from IBOXX indices.
- Corporate Bonds: Corporate bond prices are taken daily from the IBOXX, Barclays or JP Morgan corporate bond indices. Bonds in the indices are priced on the bid side. 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. Prices are regularly checked by the internal Treasury Team against Bloomberg, and any material differences are investigated with BlackRock.

Securitised Assets: There are two types of securitised assets: covered bonds and asset-backed securities (ABS). Covered bonds' prices are obtained from IBOXX indices and ABS prices from IHS Markit.

Absolute Return Funds (ARFs): Absolute return UCITS funds are priced daily by BlackRock and the Fund Administrator. The pricing is provided by The Pricing Group (TPG), a dedicated pricing group within BlackRock, who ensure that appropriate valuation data sources, methodologies and controls are established, implemented and operating effectively. The ARF position was fully liquidated during the first quarter of 2023.

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. Where applicable, bank overdrafts are shown within borrowings in current liabilities. Under FRS 102, cash and cash equivalents are valued at fair value.

Short-term time deposits of three months or less of £10.1 million are categorised as investments under Solvency II and as cash and cash equivalents under FRS 102.

Technical provisions – reinsurance recoverable

The value of reinsurance recoverable as at 31 December 2022 was £64.0 million on a Solvency II basis and £79.2 million 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 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 debtors

The value of insurance debtors was £2.2 million on a Solvency II basis and £2.2 million on an FRS 102 basis as at 31 December 2022.

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 2022, the value of reinsurance debtors was £0.3 million on a Solvency II basis and £1.1 million on an FRS 102 basis.

Other debtors

The value of other debtors at 31 December 2022 was £11.5 million. This included current taxes recoverable (£2.3 million), investment sales contracted but not settled at year-end (£4.5 million) and group company debtors (£4.7 million). 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 £3.9 million at 31 December 2022.

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 and is accounted for using the liability method.

Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each year-end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates based on the enacted or substantially enacted tax laws expected to apply in the period when the liability is settled, or the asset is realised. It is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are only recognised where it is probable that taxable profit will be available against which the temporary difference can be utilised.

TMKI has taken a prudent approach under Solvency II and is not recognising any additional deferred tax asset.

Investment in subsidiary

The value of the investment in subsidiary was £1 at 31 December 2022.

The valuation was based on the adjusted equity method.

TMKI has a related subsidiary, Tokio Marine Europe Limited (TMEL), which is wholly-owned and incorporated in England and Wales. The investment in TMEL is stated at its current net book value as at 31st December 2022 and is the same under FRS 102 and Solvency II valuation rules. TMEL is a non-insurance subsidiary and was formerly a management services company for TMKI. TMEL was dissolved on 31 January 2023.

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 2022.

All amounts in £'000s		Year-end 2022			Movement in Net TPs	
Code	SII line of business	Net best estimate	Risk margin	Net technical provisions	Year-end 2021	Increase/ (decrease)
1 & 13	Direct & Proportional Medical Expenses	807	45	852	1,353	(501)
2 & 14	Direct & Proportional Income Protection	-	-	-	-	-
3 & 15	Direct & Proportional Workers' Compensation	-	-	-	-	-
25	Non-Proportional Health Insurance	-	-	-	-	-
Total Health		807	45	852	1,353	(501)
4 & 16	Direct & Proportional Motor Vehicle Liability	-	-	-	-	-
5 & 17	Direct & Proportional Other Motor	-	-	-	-	-
6 & 18	Direct & Proportional Marine, Aviation & Transport	4,246	239	4,485	4,380	105
7 & 19	Direct & Proportional Fire & Other Property Damage	58,389	3,289	61,678	87,102	(25,424)
8 & 20	Direct & Proportional General Liability	62,115	3,499	65,614	81,407	(15,793)
9 & 21	Direct & Proportional Credit & Suretyship	-	-	-	-	-
10 & 22	Direct & Proportional Legal Expenses	-	-	-	-	-
11 & 23	Direct & Proportional Assistance	20	1	21	1	20
12 & 24	Direct & Proportional Miscellaneous Financial Loss	1,955	110	2,065	4,373	(2,308)
26	Non-Proportional Casualty Reinsurance	1,023	58	1,081	1,130	(49)
27	Non-Proportional Marine, Aviation & Transport Reinsurance	-	-	-	-	-
28	Non-Proportional Property Reinsurance	784	44	828	1,191	(363)
Total Non-Life		128,532	7,240	135,772	179,584	(43,812)
Total		129,339	7,285	136,624	180,937	(44,313)

The decrease in net technical provisions from year-end 2021 to year-end 2022 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.

Future reinsurance purchases

The outwards reinsurance element of the Solvency II technical provisions at 31 December 2022 included an allowance for the cost of unwritten XLs, predominantly Engineering run-off covers, that will protect existing unearned inwards business.

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 2022. 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 SCR used in the calculation of the risk margin were produced by the Company's Finance Team. The SCR was 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.

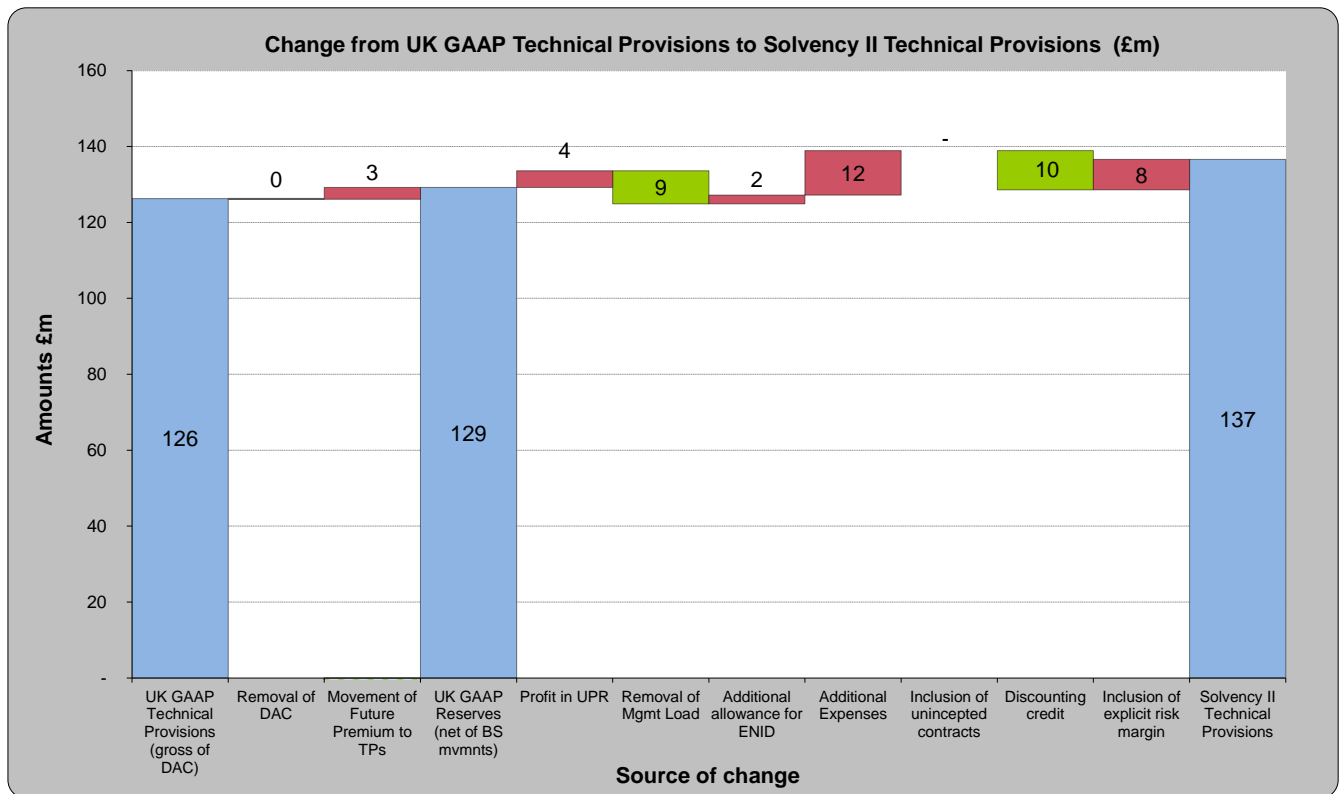
D2.3 Uncertainty associated with the value of technical provisions

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 Material differences between Solvency II and UK GAAP valuations for technical provisions

The following graph shows the difference between TMKI's GAAP technical provisions as at 31 December 2022 and the corresponding Solvency II technical provisions:



D2.5 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.

D2.6 Material changes in the relevant assumptions made for calculating the technical provisions between year-end 2022 and year-end 2021

The assumptions used in the valuation of the Solvency II technical provisions (SII TPs) at 31 December 2022 are consistent with those made at 31 December 2021.

In the third quarter of 2022 bespoke Covid-19 payment patterns were incorporated to improve the accuracy of the future cash-flow projections. Previously no differentiation was made between CAT and Non-CAT cash-flow projections. As a result of this change, the Solvency II technical provisions at the end of the third quarter of 2022 increased by £0.9m.

D3 Other liabilities

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

£'000s	UK GAAP	SII valuation	Difference
Material liability classes			
Gross technical provisions	211,801	200,629	11,172
Reinsurers' share of deferred acquisition costs	44	-	44
Insurance creditors	1,469	1,469	-
Reinsurance creditors	4,206	184	4,022
Other creditors	7,017	7,017	-
Deferred tax liability	-	-	-
Total liabilities	224,537	209,299	15,238
Net capital and reserves	112,958	111,908	1,050

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 2022 was £200.6 million on a Solvency II basis and £211.8 million 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 £1.5 million on a Solvency II basis and £1.5 million on an FRS 102 basis at 31 December 2022.

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 £0.2 million on a Solvency II basis and £4.2 million on an FRS 102 basis at 31 December 2022.

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 2022, the Other creditors were £7.0 million on both Solvency II basis and FRS 102 basis. The balance mainly comprised of investment purchases contracted but not settled at year-end (£6.6 million).

Deferred tax liability

There was no deferred tax liability at 31 December 2022 on both Solvency II and FRS 102 basis.

Leases

There were no material finance or operating leases.

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 2022.

At the end of 2022 the COVID-19 ultimate loss estimates have reduced mainly due to the expiry of engineering construction policies without extension due to delays caused by Covid-19.

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 quarterly 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 190% at the end of 2021 and was 185% at the end of 2022 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 2022				31 Dec 2021
	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	(113,016)	-	-	(113,016)	(111,098)
Net deferred tax assets	-	-	3,924	3,924	2,955
Total Basic Own Funds	107,984	-	3,924	111,908	112,857
Ancillary Own Funds					
Letter of credit	-	30,000	-	30,000	30,000
Available and Eligible Own Funds					
Total available own funds to meet SCR	107,984	30,000	3,924	141,908	142,857
Total available own funds to meet MCR	107,984	-	-	107,984	109,902
Total eligible own funds to meet SCR	107,984	30,000	3,924	141,908	142,857
Total eligible own funds to meet MCR	107,984	-	-	107,984	109,902

TMKI has in place Ancillary Own Funds held in the form of a Letter of Credit for £30.0 million, which is valid until December 2023. This was originally approved by the PRA in December 2021 and in November 2022 the approval period was extended to December 2025.

TMKI's available own funds to meet the SCR are £141.9 million and the available own funds to meet the MCR are £108.0 million.

E1.3 Key elements of the reconciliation reserve

The reconciliation reserve of (£113.0 million) as at 31 December 2022 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 £141.9 million and the eligible own funds to meet the MCR are £108.0 million.

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 2021 (£'000s)	Movement in 2022 (£'000s)	31 Dec 2022 (£'000s)
Equity per financial statements			
Ordinary share capital	35,000	-	35,000
Share premium account	186,000	-	186,000
Retained earnings	(99,918)	(8,124)	(108,042)
Total equity per financial statements	121,082	(8,124)	112,958
Difference in net technical provisions including DAC	(11,295)	7,101	(4,194)
Difference in net (re)insurance debtors and creditors	3,072	66	3,138
Difference in other items	(2)	8	6
SII Basic Own Funds	112,857	(949)	111,908

E1.6 Description and the amount of each material ancillary own-fund item

The £30.0 million Letter of Credit referred to in section E1.2 is held with Mizuho Bank Limited.

E1.7 Description of items deducted from own funds and of significant restriction affecting the availability and transferability of own funds within TMKI

There were no items under these categories as at 31 December 2022.

E2 Solvency capital requirement and minimum capital requirement

E2.1 Amount TMKI's SCR and MCR as at 31 December 2022 by risk modules

The SCR and MCR at 31 December 2022 were, respectively, £76.8 million and £19.2 million, with the SCR split by risk modules as shown in the following table:

Solvency capital requirement (£'000)		2022	2021	Change
Non-life underwriting risk	Premium and Reserve risk	31,206	41,767	(10,561)
	Catastrophe risk	50,186	34,785	15,401
	Lapse risk	728	730	(2)
	SCF _{nl} Pre-diversification	82,120	77,282	4,838
	SCF _{nl} Diversification credit	(16,728)	(16,607)	(121)
	SCF_{nl} Post-diversification	65,392	60,675	4,717
Health underwriting risk	NSLT underwriting risk	138	219	(81)
	SLT underwriting risk	-	-	-
	Concentration risk	-	-	-
	SCF _{health} Pre-diversification	138	219	(81)
	SCF _{health} Diversification credit	-	-	-
SCF_{health} Post-diversification	138	219	(81)	
Market Risk	Interest Rate risk	4,314	-	4,314
	Equity risk	-	497	(497)
	Property risk	-	-	-
	Spread risk	2,306	6,729	(4,423)
	Concentration risk	268	-	268
	Currency risk	5,049	7,367	(2,318)
	SCF _{mkt} Pre-diversification	11,937	14,593	(2,656)
	SCF _{mkt} Diversification credit	(3,801)	(3,129)	(672)
SCF_{mkt} Post-diversification	8,136	11,464	(3,328)	
Counterparty Default Risk	Type 1 risk	5,278	5,426	(148)
	Type 2 risk	537	1,702	(1,165)
	SCF _{def} Pre-diversification	5,815	7,128	(1,313)
	SCF _{def} Diversification credit	(123)	(331)	208
SCF_{def} Post-diversification	5,692	6,797	(1,105)	
Undiversified Basic SCR	79,358	79,155	203	
Diversification credit	(8,386)	(10,889)	2,503	
Basic SCR	70,972	68,266	2,706	
Operational risk	5,800	7,073	(1,273)	
Final Standard Formula SCR	76,772	75,339	1,433	

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 2021 and 31 December 2022.

	31 Dec 2021 (£'000s)	Movement in 2022 (£'000s)	31 Dec 2022 (£'000s)
AMCR	3,126		3,445
Linear MCR	17,668		13,184
SCR	75,339		76,772
MCR floor (25% of SCR)	18,835		19,193
MCR (higher of linear MCR and MCR floor)	18,835	358	19,193

*AMCR is converted at October 2022 exchange rates as per Article 300.

Note: For 2022 the Absolute Floor of the Minimum Capital Requirement (AMCR), as prescribed by the PRA, was €4.0 million, equivalent to £3.4 million. In 2021 it was €3.7 million, equivalent to £3.1 million.

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 increases in the SCR and MCR between 31 December 2021 and 31 December 2022 were due to an increase in the man-made fire catastrophe risk component of the Standard Formula SCR calculation. This was due to the increase in insured values as construction progresses on long term construction policies. 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 2022.

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 2023 compared with 2022. 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 2023.

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:

BF982022D18A4FB...
Reeken Patel

Chief Financial Officer

29 March 2023

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 Insurance Limited

Solvency and Financial Condition Report

Disclosures

31 December

2022

(Monetary amounts in GBP thousands)

General information

Undertaking name	Tokio Marine Kiln Insurance Limited
Undertaking identification code	391200DTAYLSAHINXK49
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2022
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

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

S.02.01.02

Balance sheet

Solvency II value	
C0010	
	3,924
	0
	236,057
	0
	0
	0
	184,817
	106,326
	76,910
	0
	1,581
	41,168
	10,072
	0
	0
	0
	64,005
	64,005
	63,996
	8
	0
	0
	2,185
	250
	11,525
	0
	3,261
	0
	321,206

Assets

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

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	200,629
R0520	<i>Technical provisions - non-life (excluding health)</i>	199,768
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	192,528
R0550	<i>Risk margin</i>	7,240
R0560	<i>Technical provisions - health (similar to non-life)</i>	860
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	815
R0590	<i>Risk margin</i>	45
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	0
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	1,469
R0830	Reinsurance payables	184
R0840	Payables (trade, not insurance)	7,017
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	Total liabilities	209,299
R1000	Excess of assets over liabilities	111,908

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation		
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180	
R0010	Technical provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0	
Technical provisions calculated as a sum of BE and RM																			
Best estimate																			
Premium provisions																			
R0060	Gross	0	0	0	0	0	0	445	186	0	0	0	9	0	0	0	0	2	641
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	0	0	0	1,168	-22	0	0	0	-1,652	0	0	0	0	-1	-507
R0150	Net Best Estimate of Premium Provisions	0	0	0	0	0	0	-723	208	0	0	0	1,660	0	0	0	0	3	1,148
Claims provisions																			
R0160	Gross	815	0	0	0	0	22,110	93,517	73,947	0	0	20	295	0	1,215	0	0	782	192,702
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	8	0	0	0	0	17,865	34,404	12,040	0	0	0	1	0	192	0	0	1	64,511
R0250	Net Best Estimate of Claims Provisions	807	0	0	0	0	4,246	59,112	61,907	0	0	20	295	0	1,023	0	0	781	128,191
R0260	Total best estimate - gross	815	0	0	0	0	22,110	93,962	74,133	0	0	20	304	0	1,215	0	0	784	193,343
R0270	Total best estimate - net	807	0	0	0	0	4,246	58,389	62,115	0	0	20	1,955	0	1,023	0	0	784	129,339
R0280	Risk margin	45	0	0	0	0	239	3,289	3,499	0	0	1	110	0	58	0	0	44	7,285
Amount of the transitional on Technical Provisions																			
R0290	Technical Provisions calculated as a whole																		0
R0300	Best estimate																		0
R0310	Risk margin																		0
R0320	Technical provisions - total	860	0	0	0	0	22,349	97,251	77,632	0	0	22	414	0	1,273	0	0	828	200,629
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	8	0	0	0	0	17,864	35,573	12,018	0	0	0	-1,651	0	192	0	0	0	64,005
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	852	0	0	0	0	4,485	61,678	65,614	0	0	22	2,065	0	1,081	0	0	828	136,624

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year										In Current year	Sum of years (cumulative)		
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											48	48	48
R0160	2013	261,677	69,783	15,783	8,047	4,059	1,519	401	387	172	773	773	362,601	
R0170	2014	26,839	59,772	25,629	5,418	3,062	1,027	1,303	1,143	1,038		1,038	125,232	
R0180	2015	66,566	50,787	20,609	19,273	2,901	1,097	1,221	630			630	163,083	
R0190	2016	18,445	53,600	26,519	5,421	3,519	1,440	1,525				1,525	110,468	
R0200	2017	18,823	48,845	23,388	16,436	9,251	11,474					11,474	128,217	
R0210	2018	33,299	59,143	35,077	19,622	13,935						13,935	161,077	
R0220	2019	53,225	42,306	30,710	11,803							11,803	138,044	
R0230	2020	125	1,489	41								41	1,655	
R0240	2021	0	0									0	0	
R0250	2022	0										0	0	
R0260	Total											41,268	1,190,426	

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	Year end (discounted data)
	Development year										10 & +		
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											6,705	6,274
R0160	2013	0	0	21,202	15,140	9,941	6,640	3,571	1,540	1,904	1,087		984
R0170	2014	0	67,224	44,277	27,758	20,450	7,541	5,914	5,080	5,188			4,570
R0180	2015	78,687	81,098	47,218	26,259	12,474	9,651	5,815	3,940				3,707
R0190	2016	76,656	63,085	40,411	12,582	10,986	11,498	6,142					5,579
R0200	2017	99,418	65,887	48,929	39,754	45,070	34,985						32,850
R0210	2018	132,337	93,594	79,346	71,486	80,298							74,087
R0220	2019	106,216	123,437	85,419	66,366								61,976
R0230	2020	4,239	2,810	2,700									2,676
R0240	2021	0	0										0
R0250	2022	0											0
R0260	Total											192,702	

S.23.01.01

Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
R0220	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
R0230	Deductions for participations in financial and credit institutions
R0290	Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

SCR

R0600	MCR
R0620	Ratio of Eligible own funds to SCR
R0640	Ratio of Eligible own funds to MCR

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve

Expected profits

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

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
35,000	35,000		0	
186,000	186,000		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
-113,016	-113,016			
0		0	0	0
3,924				3,924
0	0	0	0	0
0				
0	0	0	0	
111,908	107,984	0	0	3,924

0				
0				
0				
0				
30,000			30,000	
0				
0				
0				
0				
30,000			30,000	0

141,908	107,984	0	30,000	3,924
107,984	107,984	0	0	
141,908	107,984	0	30,000	3,924
107,984	107,984	0	0	

76,772
19,193
184.84%
562.62%

C0060
111,908
0
224,924
0
-113,016

1,820
1,820

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	8,137		
R0020 Counterparty default risk	5,692		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	138		
R0050 Non-life underwriting risk	65,391		
R0060 Diversification	-8,386		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	70,971		
Calculation of Solvency Capital Requirement			
R0130 Operational risk	5,800		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes	0		
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 Solvency Capital Requirement excluding capital add-on	76,772		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	76,772		
Other information on SCR			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
Approach to tax rate			
R0590 Approach based on average tax rate	Yes		
Calculation of loss absorbing capacity of deferred taxes			
LAC DT			
C0130			
R0640 LAC DT	0		
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	0		
R0670 LAC DT justified by carry back, current year	0		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	0		

USP Key

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

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

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

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

R0010	MCR _{NL} Result	C0010	13,184
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Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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	C0020	C0030
R0020 Medical expense insurance and proportional reinsurance	807	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	4,246	0
R0080 Fire and other damage to property insurance and proportional reinsurance	58,389	0
R0090 General liability insurance and proportional reinsurance	62,115	814
R0100 Credit and suretyship insurance and proportional reinsurance	0	0
R0110 Legal expenses insurance and proportional reinsurance	0	0
R0120 Assistance and proportional reinsurance	20	0
R0130 Miscellaneous financial loss insurance and proportional reinsurance	1,955	0
R0140 Non-proportional health reinsurance	0	0
R0150 Non-proportional casualty reinsurance	1,023	0
R0160 Non-proportional marine, aviation and transport reinsurance	0	5
R0170 Non-proportional property reinsurance	784	73

Linear formula component for life insurance and reinsurance obligations

R0200	MCR _L Result	C0040	0
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Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
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	C0050	C0060
R0210 Obligations with profit participation - guaranteed benefits		
R0220 Obligations with profit participation - future discretionary benefits		
R0230 Index-linked and unit-linked insurance obligations		
R0240 Other life (re)insurance and health (re)insurance obligations		
R0250 Total capital at risk for all life (re)insurance obligations		

Overall MCR calculation

R0300	Linear MCR	C0070	13,184
R0310	SCR		76,772
R0320	MCR cap		34,547
R0330	MCR floor		19,193
R0340	Combined MCR		19,193
R0350	Absolute floor of the MCR		3,445
R0400	Minimum Capital Requirement		19,193