

Solvency and Financial Condition Report

Premia UK Holdings 2 Limited

Year ending 31 December 2022

Including regulated entities:

Dominion Insurance Company Limited

Trent Insurance Company Limited

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Summary

Business

Premia UK Holdings 2 Ltd (“PUKH2”) is an insurance group, comprising the holding company Premia UK Holdings 2 Ltd and its subsidiary companies (collectively “the Group”), specifically:

- The Dominion Insurance Company Limited (“Dominion”), the principal insurance subsidiary
- Trent Insurance Company Limited (“Trent”), a wholly owned insurance company subsidiary of Dominion
- Non-insurance company B D Cooke Investments Limited and various non-trading subsidiaries, which manage the B.D.Cooke underwriting pool on behalf of its members, which include Dominion and Trent.

The Group was acquired by Premia Holdings Ltd, a Bermuda based legacy reinsurance group (“Premia”) with effect from 28 August 2020 following the acquisition of B D Cooke Investments Limited. PUKH2, an intermediate holding company within Premia was the acquisition vehicle. A process of integration of its operations into Premia's operations in the UK began in 2021 and has continued in 2022. This includes moving to a shared service operating model for many aspects of the Group's operations. The integration process benefits the Group by allowing access to greater economies of scale and improved business resilience. The staff and operations of the business have transferred to Premia's UK office in Minster Court, London, and the former head office of the Group in Orpington was sold.

The lead firm of the Group, Dominion, has been in run off since 1994. The principal activity of the Group since that date has been the management, processing and settlement of general insurance liabilities arising from the business underwritten prior to 1994. The majority of this business was underwritten as part of the B.D.Cooke underwriting pool. The Group's outstanding gross exposure relates primarily to long tail US asbestos and pollution liabilities. During the year to 31 December 2022 the Group continued with this activity.

Performance

During the year the Group recorded a profit of \$2.2 million compared with a profit of \$3.2 million in 2021. The profit reported for the year is primarily attributable to amortisation of negative goodwill written back in the year of \$2.5 million. Negative goodwill was recorded at the time of the purchase due to the acquisition price being at a discount to the group's net asset value. The profit in 2021 was also primarily attributable to the amortization of the negative goodwill written back in 2021.

During 2022 the Group reported an underwriting profit of \$0.4 million (2021: \$0.4 million profit) and a loss on investments of \$0.2 million (2021: \$0.6 million loss). Further details of the Group's performance together with results on a solo basis for the subsidiaries are shown in Section A to this report.

System of Governance

There have been personnel changes to the Board of both the subsidiaries and the holding company in 2022. Further details of the Group and the subsidiaries' system of governance can be found in Section B to this report.

Risk Profile

Having ceased underwriting in 1994 the Group is not exposed to premium and associated risks or the risk of future catastrophe. It continues to be exposed to reserving risk from claims arising on policies underwritten prior to this date. The Group is also exposed to a range of financial risks through its financial and reinsurance assets.

As a consequence of the additional reinsurance protection put in place following change of control, the risk from adverse reserve movements is substantially mitigated and the Group's exposure to investment related risks has reduced. Counterparty risk relating to reinsurance protection provided by Premia is substantially mitigated through a reinsurance trust containing investment grade assets whose value exceeds the value of the reinsurance asset recognised in the balance sheet at 31 December 2022. Further information regarding the risk profile of the Group and the subsidiaries is available in Section C to this report.

Valuation for solvency purposes

The valuation of assets on a Solvency II basis at the reporting date was \$102.0 million (2021: \$135.4 million) for the Group, \$102.1 million (2021: \$133.7 million) for Dominion and \$7.4 million (2021: \$8.2 million) for Trent. The valuation of gross technical provisions at the reporting date was \$87.0 million (2021: \$121.7 million) for the Group, \$85.7 million (2021: \$118.3 million) for Dominion and \$1.3 million (2021: \$1.9 million) for Trent. The valuation of other liabilities together with further information regarding the valuation of assets and liabilities of the Group together with that of the subsidiaries on a solo basis can be found at Section D to this report.

Capital Management

Prior to its acquisition by Premia the Group, Dominion and Trent each had been in breach of their capital requirements since the introduction of the Solvency II regime on 1 January 2016. Following change of control, a quota share reinsurance protection was put in place between Premia Reinsurance Ltd, a Bermuda based reinsurer within the Premia group, and Dominion and Trent. The additional reinsurance covers 100% of Dominion and Trent USD asbestos, pollution and health hazard liabilities net of underlying reinsurance. Premia also contributed \$2.8 million of additional capital to Dominion.

Own Funds for the Group and each of Dominion and Trent have exceeded both their respective Solvency Capital Requirements (SCR) and Minimum Capital Requirements (MCR) throughout the year. At 31 December 2022 the Group held a \$6m surplus over its SCR. Further details of the Group's capital management together with those of its subsidiaries are shown in Section E to this report.

External Audit

On 17th October 2018 the PRA published Statement PS25/18 Solvency II: "External Audit of the public disclosure requirement". This statement introduced changes to the External Audit Part of the PRA Rulebook and was effective from 15th November 2018. The effect of the changes is to remove the requirement for external audit of SFCR's of "small" Solvency II firms and groups for year end 31/12/2018 onwards.

Dominion, Trent and the B.D. Cooke Investments Group meet the criteria of "small" and so no external audit is required and therefore no Independent auditor's report has been included.

Directors' responsibilities statement

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

We are satisfied that:

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

On behalf of the board

A handwritten signature in black ink, appearing to be 'Colin Grint', with a stylized flourish at the end.

Colin Grint
Director

19 May 2023

A. Business and performance

A1. Business

Legal and regulatory information

This report relates to PUKH2 and its subsidiary companies (collectively “the Group”). General information relating to the Group and its constituent insurance undertakings is set out below. Other than those described below, there are no other material group entities.

| Legal name | Description | Registered office | Ownership |
|-----------------------------------------------|-------------------------------------|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Premia UK Holdings 2 Ltd | Holding company | The Minster Building Mincing Lane London EC3R 7AG | 100% - Premia Intermediate Holdings 2 Ltd Bermuda |
| BD Cooke Investments Limited | Intermediate holding company | The Minster Building Mincing Lane London EC3R 7AG | 100% - Premia UK Holdings 2 Ltd |
| The Dominion Insurance Company Limited | Insurance Undertaking FRN 202112 | DLA Piper (Scotland) LLP, Collins House, Rutland Square, Edinburgh, EH1 2AA | 80.2% - BD Cooke Investments Limited 19.8% - Premia UK 2 Holdings Limited |
| Trent Insurance Company Limited | Insurance Undertaking FRN 202770 | The Minster Building Mincing Lane London EC3R 7AG | 100% - Dominion Insurance Company Limited |

The ultimate parent of the Group is Premia Holdings Ltd incorporated in Bermuda, registered address Waterloo House, 100 Pitts Bay Road, Pembroke, HM 08, Bermuda.

The financial and conduct supervisors of the Company are:

Prudential Regulation Authority
20 Moorgate
London EC2R 6DA

Financial Conduct Authority
12 Endeavour Square
London E20 1JN

The external auditors of all Group companies are:

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

The Group has obtained multiple Directions from the PRA modifying the Group Supervision provisions set out in the PRA Rulebook. The modification to Rules 18.1 and 17.2(3) significantly reduces the Group’s reporting requirements under the PRA’s Group Supervision rules. Prior Solvency and Financial Condition Reports have been prepared at the level of B.D.Cooke Investments Limited, the former top holding company which held an 80.2% interest in Dominion. This changed to PUKH2 from the 2021 report, reflecting the 100% economic interest of PUKH2 in all of the subsidiaries of the Group.

Business profile

99% of Group gross claims outstanding are carried by Dominion, with Trent making up the balance. Dominion ceased underwriting in 1994. Dominion's liabilities principally consist of long tail US liability business including asbestos and pollution related claims underwritten through the B.D.Cooke underwriting pool. It also continues to have liabilities arising from UK employers' liability policies. The liabilities of Trent entirely consist of long tail US asbestos and pollution claims written through the B.D.Cooke underwriting pool prior to 1968. Since entering run-off, the principal activity of both companies has been the administration and settlement of claims and collection of reinsurance.

Dominion is the lead underwriter of the B.D.Cooke underwriting pool. This pool operated on a several basis until 1960, after which time Dominion became the sole carrier with Dominion ceding pool participations to other pool members. Costs related to the administration of the pool (primarily claims management costs) are shared between pool members in proportion to their participation.

Following the acquisition of the Group by Premia in 2020 a quota share reinsurance was put in place ceding 100% of the Group's US asbestos, pollution and health hazard liabilities net of underlying reinsurance to Premia Reinsurance Limited, an affiliated company within the Premia Holdings Limited group.

A2. Underwriting Performance

The numbers in this section have been prepared on a UK GAAP basis. For UK GAAP reporting purposes the group discounts its technical provisions applying a discount rate of 3.77% (2021: 1.15%). The tables below exclude the effect of this discounting.

The balance on the technical account of the Group for the year as shown in the financial statements is shown in the tables below.

| Underwriting performance Group | 2022 | | | 2021 | | |
|---------------------------------------|----------------------|---------------------------------|--------------|----------------------|---------------------------------|------------|
| | General Liability | Non proportional Casualty | Total | General Liability | Non proportional Casualty | Total |
| <i>All figures in \$000s</i> | | | | | | |
| Gross Paid claims | 17,054 | 1,757 | 18,811 | 6,758 | 3,052 | 9,810 |
| Reinsurance recoveries | (14,509) | (800) | (15,309) | (4,798) | (1,968) | (6,766) |
| Net claims paid | 2,545 | 957 | 3,502 | 1,960 | 1,084 | 3,044 |
| Net movement on claims reserves | (1,725) | (1,575) | (3,300) | (3,985) | 536 | (3,449) |
| Net underwriting gain / (loss) | (820) | 618 | (202) | 2,025 | (1,620) | 405 |

The tables below further analyse the underwriting performance of Dominion and Trent:

| Underwriting performance Dominion | 2022 | | | 2021 | | |
|---------------------------------------|----------------------|---------------------------------|--------------|----------------------|---------------------------------|------------|
| | General Liability | Non proportional Casualty | Total | General Liability | Non proportional Casualty | Total |
| <i>All figures in \$000s</i> | | | | | | |
| Gross Paid claims | 16,952 | 1,741 | 18,693 | 6,728 | 2,993 | 9,721 |
| Reinsurance recoveries | (14,447) | (784) | (15,231) | (4,776) | (1,925) | (6,701) |
| Net claims paid | 2,505 | 957 | 3,462 | 1,952 | 1,068 | 3,020 |
| Net movement on claims reserves | (1,676) | (1,575) | (3,251) | (4,404) | 1,106 | (3,298) |
| Net underwriting gain / (loss) | (829) | 618 | (211) | 2,452 | (2,174) | 278 |

| Underwriting performance Trent | 2022 | | | 2021 | | |
|---------------------------------------|----------------------|---------------------------------|----------|----------------------|---------------------------------|------------|
| | General Liability | Non proportional Casualty | Total | General Liability | Non proportional Casualty | Total |
| <i>All figures in \$000s</i> | | | | | | |
| Gross Paid claims | 102 | 16 | 118 | 30 | 59 | 89 |
| Reinsurance recoveries | (62) | (16) | (78) | (22) | (43) | (65) |
| Net claims paid | 40 | - | 40 | 8 | 16 | 24 |
| Net movement on claims reserves | (49) | - | (49) | 419 | (570) | (151) |
| Net underwriting gain / (loss) | 9 | - | 9 | (427) | 554 | 127 |

A3. Investment Performance

The Group's investment portfolio during the year comprised government and investment grade corporate bonds and cash. Investment assets are matched to the currency of expected liabilities, with net insurance liabilities being predominately USD denominated, and provisions for future expenses being predominantly GBP denominated.

The investment income and expenses of the Group for the year as shown in the financial statements are as follows:

| Investment performance Group | 2022 | | | 2021 | | |
|-------------------------------------|----------------------|-------------------------------|----------------|----------------------|-------------------------------|--------------|
| <i>All figures in \$000s</i> | Dividends and income | Realised and unrealised gains | Total | Dividends and income | Realised and unrealised gains | Total |
| Fixed income securities | 639 | (2,866) | (2,227) | 571 | (1,228) | (657) |
| Equities | - | - | - | - | - | - |
| Cash and cash deposits | 96 | - | 102 | 129 | - | 129 |
| Investment expenses | (45) | - | (45) | (62) | - | (62) |
| Total | 690 | (2,866) | (2,176) | 638 | (1,228) | (590) |

The tables below further analyses the investment performance of Dominion and Trent:

| Investment performance Dominion | 2022 | | | 2021 | | |
|----------------------------------------|----------------------|-------------------------------|----------------|----------------------|-------------------------------|--------------|
| <i>All figures in \$000s</i> | Dividends and income | Realised and unrealised gains | Total | Dividends and income | Realised and unrealised gains | Total |
| Fixed income securities | 586 | (2,615) | (2,029) | 533 | (1,147) | (614) |
| Equities | - | - | - | - | - | - |
| Cash and cash deposits and other | 65 | 6 | 71 | 126 | 86 | 212 |
| Investment expenses | (45) | - | (45) | (62) | - | (62) |
| Total | 606 | (2,609) | (2,003) | 597 | (1,061) | (464) |

Dominion solo accounts also include an \$123 thousand unrealised loss on revaluation of its subsidiary Trent not shown in the table above.

| Investment performance Trent | 2022 | | | 2021 | | |
|-------------------------------------|----------------------|-------------------------------|--------------|----------------------|-------------------------------|-------------|
| <i>All figures in \$000s</i> | Dividends and income | Realised and unrealised gains | Total | Dividends and income | Realised and unrealised gains | Total |
| Fixed income securities | 53 | (251) | (198) | 38 | (81) | (43) |
| Equities | - | - | - | - | - | - |
| Cash and cash deposits | 31 | - | 31 | 3 | - | 3 |
| Investment expenses | - | - | - | - | - | - |
| Total | 84 | (251) | (167) | 41 | (81) | (40) |

A4. Performance of other activities

The Group's former head office building was sold in January 2022. The building was revalued at the sale price in the financial statements in 2021, and a gain on revaluation of \$2,133 thousand was reflected in other comprehensive income. This gain was realised in 2022 and removed from other comprehensive income. A carry back loss submission was made to HMRC in 2022 and £286k was recognised in the income statement. There were no other income or expenses for the year in addition to underwriting and investment gains and losses disclosed above shown in the financial statements of the Group or its subsidiaries.

A5. Other information on business and performance

Deferred tax

The Group has gross tax losses available in excess of \$42m (2021: \$42m) as at 31 December 2022 to offset against taxable profits in future periods. The Group is currently not projecting sufficient future profits and therefore the deferred tax assets remain unrecognised.

All other material information regarding the business and performance has been disclosed in sections A1 to A4 above.

B. System of governance

B1. General information on the system of governance

The regulated entities in the Group are directed by the board of Dominion, as the lead insurance company within the Group and 100% shareholder of Trent. The system of governance is formally documented, with terms of reference for each of the key governance forums.

Role of the board

The Board's oversight responsibilities include:

- Ensuring that the Company is effectively directed and managed
- Developing high-level strategy and objectives and reviewing and approving business plans and budgets
- Reviewing and approving significant policies and procedures
- Ensuring that its activities are conducted with due care, skill and integrity
- Ensuring sufficient capital is held to maintain the Company's ongoing solvency;
- Appointing senior executives and approving the financial statements
- Providing oversight of outsourced activities, including both activities outsourced externally and to other parts of the Premia group
- Providing oversight of the risk management framework, including setting the Company's risk appetite and tolerance statements
- Setting and overseeing the effectiveness of the Company's governance structure and internal control system

The board meets at least quarterly and receives reports from its own committees and other management level governance forums in order to assist in the effective discharge of its duties. Detailed oversight activities have been delegated to its committees in some instances, however the board retains ultimate responsibility. The directors consider the system of governance currently established to be adequate and proportionate to the nature, scale and complexity of the risks inherent in the business.

Board composition and structure

Following a change of CEO in September 2022, two executive directors were appointed to the Dominion board in 2023. The board composition now consists of:

- Three independent non-executive directors, including the Chair of the Board and the Chair of the Audit and Risk Committee
- The CEO
- The Finance Director/CFO
- Two Premia group executives who act in a non-executive capacity

Members of the board are also directors of other UK regulated companies owned by Premia.

Two board committees have operated during 2022:

- Audit and Risk Committee - The purpose of this committee is to provide oversight of the financial reporting process including external audit and the company's system of internal controls and the Actuarial, Risk, Internal Audit and Compliance regulated functions.
- Nominations and Remuneration Committee – The purpose of this committee is to independently consider and approve proposals to hire or promote individuals to the Board or senior executive roles and provide oversight of the remuneration policy for staff performing the functions of the business including that of senior employees and directors.

In addition to formal board committees, the Group operates several management committees which provide oversight of specific areas of activity, including:

- Monthly Management committee – which performs a detailed review of business performance and balance sheet.
- Operations Committee – a committee constituted across all Premia’s operations in the UK which provides oversight over shared services which benefit both the Group and other regulated entities within Premia’s UK operations.

Remuneration policy

Staff receive a mixture of fixed and variable compensation. Fixed compensation includes payment into a defined contribution pension scheme operated by Premia in the UK. Variable pay is awarded annually and assessed based on outcomes of the annual performance management process for each member of staff. The variable element of staff pay represents a minority of overall compensation. Among other matters the Nomination and Remuneration Committee reviews proposed bonus awards to ensure they are appropriate and do not reward excessive risk taking. Compensation arrangements are regularly reviewed by the HR department to ensure they remain competitive.

Senior management functions

A management responsibilities map is maintained by the Compliance Department and reviewed by the Board at least annually. Following a number of appointments in 2021 the SMF roles for the two regulated entities are all held by the members of the boards or senior management from the Premia UK team.

B2. Fit and proper requirements

The Group operates a Fit and Proper Policy to ensure that directors and executives managing the affairs of the Group:

- Possess the necessary skills and experience to perform their roles effectively. The assessment of whether an individual is “fit” includes an evaluation of their knowledge, experience, professional qualifications. This includes a review of their performance in their role and review of references from prior employers where relevant.
- Are of good repute and integrity. The assessment of whether a person is “proper” includes an evaluation of their honesty, reputation and financial soundness. This includes checks to establish whether the individual has been the subject of any criminal convictions or disciplinary offences, credit checks and review of regulatory references from prior employers where relevant.

Through the annual performance management process, HR processes are in place to review the continuing fitness of staff for their roles and identify any training needs to refresh and develop these skills as required. Background checks are performed by the HR department with the assistance of external credit and criminal record checking agencies. The Compliance function operates an annual certification process covering all key staff. The Board, via the Nominations and Remuneration Committee, assesses the fitness and propriety of the persons carrying out these functions on an annual basis.

B3. Risk management system

During the year key risks and mitigation strategies were reviewed by the Board quarterly and recorded in the risk register. The risk register assesses the materiality of each identified risk, and documents the monitoring, controls and risk mitigation strategy, and risk control owner. The risk register records risks under a number of different categories including:

- Insurance risk – primarily relating to the risk of adverse reserve movements.
- Market risk – including exchange rate risk and the risk of impairments and/or lower than expected investment returns.
- Liquidity risk – including the risk that there are insufficient liquid funds to make claim payments as they fall due.
- Credit risk – including the risk that reinsurance in place will not provide the expected mitigation due to financial impairment of the counterparty
- Operational risk – including risks associated with failure of key outsourcers to deliver adequate services, staffing risk, and business interruption risk
- Climate change risk – including the risk that climate change causes impairment in asset values or increases in insurance liabilities

As part of the on-going integration of the Group, a revised risk management framework has been introduced in 2022 which aligns the Group's risk management processes with the wider processes of Premia in the UK. The implementation of the revised framework includes review and revision of risk appetite tolerances, risk register and risk monitoring and reporting processes.

Further analysis of the risk management strategies and processes in place during the year to identify, measure, monitor and manage risks of the Group is provided in Section C (Risk Profile).

B4. Own risk and solvency assessment process

The ORSA is the process by which the Group assesses the adequacy of its risk management and solvency position. The ORSA process includes preparation of balance sheet and solvency forecasts for the upcoming year end and the succeeding two years which is reviewed by the board on a quarterly basis. In addition, an annual ORSA document is prepared for the Group and the insurance subsidiaries. This document is updated in response to material changes in the Group's risk profile or solvency. Solvency is assessed by reference to standard formula calculations of required capital, and assessment of the ratio of the solvency capital requirement (SCR) to own funds.

B5. System of internal control and key functions

Internal control

The Board has overall responsibility for ensuring that an adequate and effective system of internal control is maintained in the Group. Internal control systems are documented via a number of different policies and procedures, including:

- Board and board committee terms of reference
- Payment authorisation procedures
- Outsourcing policy
- Complaints policy
- Data protection, document retention and GDPR policies and procedures
- Employer's liability claim tracing procedures
- Whistleblowing procedures
- Conduct standards

The management level Finance and run-off committee reviews individual balance sheet items such as reinsurance recoverable, overall business performance and forecasts on a quarterly basis. The

reporting framework also delivers information to enable the Board to assess the effectiveness of the Group's systems of internal control. Key reports include:

- Quarterly management accounts monitoring actual financial outcomes against budget and forecasts
- Internal and External audit reviews and reports
- Quarterly investment management reports

The Group's auditors have direct access to the Audit and Risk Committee and will bring matters to the attention of the Board if required.

Regulated functions – Actuarial, Compliance and Internal Audit

The Audit and Risk Committee has responsibility for oversight of the key actuarial, compliance and internal audit functions in addition to the risk management arrangements set out above in B3.

Actuarial

Performance of the actuarial function was the responsibility of the UK actuarial team of Premia, who co-ordinates an annual review of insurance liabilities commissioned from an external actuarial consulting firm. For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and in total. As a consequence IBNR claims form a material component of the Group's liabilities.

Exposure based and benchmarking techniques are the primary methods used in estimating the long tail asbestos, pollution and health hazard claims which represent more than 95% of the technical reserves. The Group maintains a database of historical claims paid information and current notified reserves together with policy information including lines and limits underwritten. This information is used to estimate a range of possible ultimate claims amounts, together with a best estimate. The Group adopts the best estimate amount as the basis for its technical claims provisions reported in the statement of financial position. The resulting liability is discounted for the time value of money.

The development of incurred and paid claims is monitored through the year to identify if claims development is materially out of line with expectations.

Compliance

The compliance function is delivered by the UK compliance team of Premia and is the responsibility of the Head of Compliance. The Audit and Risk Committee approves a compliance monitoring plan which sets out the areas of review that will be performed by the compliance team during the year and receives the results of the work performed. In addition, the board receives a quarterly compliance report highlighting the status of the Group with respect to the prudential, organisational, and transactional regulations with which it must comply. The compliance team provide a compliance induction for new staff and regular mandatory training for staff working on Group related matters across a range of compliance topics including financial crime in order to ensure a positive compliance culture within the business.

Internal audit

The internal audit function was outsourced during the year to an external provider with the relevant specialist capabilities. Representatives from the outsourced provider attend meetings of the Audit and Risk Committee, and their work is overseen by the Chair of the Audit and Risk Committee. The internal audit provider operates under an internal audit mandate which sets out the requirements for objectivity and independence in its reporting.

The internal audit function follows an annual internal audit plan which aims to address specific aspects of the business. The plan is discussed and approved by management and the Audit and Risk Committee with the intention that it focusses on topical subjects or aspects of the business considered to contain higher inherent risk. The internal audit plan includes review of activities delivered by Premia's UK operations under the shared services operating model, as well as activities specific to the Group.

B6. Outsourcing

As part of the on-going integration of the Group's operations into the wider operations of Premia in the UK a formal outsourcing agreement and service level agreement schedule has been put in place with Premia UK Services Limited ("PUKS"), the primary contracting party for services and employer of staff within Premia's operations in the UK. Among other matters this agreement sets out the services that will be provided, expected service levels, termination and step in rights, ability of PUKS to further sub-contract and basis for charging. The agreement is designed to be compliant with current regulatory standards on material outsourcing arrangements. The CEO reports on the effectiveness of this internal outsourcing arrangement in quarterly reports to the board.

The Group policy on outsourcing covers major issues to be considered in relation to outsourcing including:

- Issues to consider before entering into, or significantly changing, an outsourcing arrangement.
- Points to be covered in negotiating contracts with the service provider.
- Considerations on implementing a relationship management framework, and drafting the service level agreement with the service provider.
- Issues to consider when ensuring that appropriate contingency arrangements are in place to allow business continuity in the event of a significant loss of services from the service provider.

Each material outsourced service is assigned to a business owner. The effectiveness of service provision is monitored through the Operations committee, which meets at least quarterly.

The table below sets out the details of other material outsourcing arrangements in place in addition to the provision of shared services provided by PUKS:

| Outsourced Service | Nature of provider / relationship | Business owner |
|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Operational IT support Provision of IT environment, operational support | UK based specialist IT firm providing services to London market insurers Written service agreement | CEO / Premia UK CIO |
| Business applications Policy admin systems and databases, document repository | UK based specialist IT firm providing services to London market insurers Written service agreement | CEO / Premia UK CIO |
| London market broking services Distribution of lawyer reports, provision of claim allocation reports | UK based non-profit organisation owned by subscribing insurers Written service agreement | Head of Claims |
| Actuarial services Annual actuarial review of claim reserves | UK based firm, part of a global firm of consulting actuaries Annual engagement agreement | Actuarial team |
| Internal audit services Delivery of internal audit plan | UK based firm of chartered accountants Annual engagement agreement | CEO / Chair of Audit and Risk Committee |
| Investment management | UK based investment managers, part of a global banking group | CFO |

B7. Other information on system of governance

All material information regarding systems of governance has been disclosed in sections B1 to B6 above.

C. Risk profile

Overview

Dominion, the principal subsidiary undertaking, ceased underwriting insurance business in 1994 and Trent ceased in 1968. As a consequence of its trading history the Group's risks primarily arise from long tailed liabilities covered under the policies it wrote, risks of impairment on its reinsurance arrangements, and risks arising from investments held to meet future claim payments and capital requirements. It has no exposure to current year major loss events or catastrophe, although remains exposed to developing social, political, legal and economic trends.

C1. Underwriting risk

Underwriting risk relates to the risk that the timing and/or amount of future claims payments and the associated run-off expenses exceed the amounts held in loss reserves on the balance sheet, causing a deterioration in the financial position of the company. A subsidiary risk relates to the potential for amounts recoverable from reinsurers in respect of future claim payments to be less than anticipated in the balance sheet. Due to the proportional nature of most of the Group's remaining reinsurance protections this risk primarily consists of the risk of impairment of the counterparties and is discussed in "C3. Credit risk" below.

Measures used to assess risk

The Group measures reserve risk through best estimate claim reserves, net of applicable reinsurance.

There are significant uncertainties regarding the value of the Group's gross insurance liabilities due to the long term nature of the claims. Many of the Group's claims involve complex coverage issues arising from the interpretation of contractual obligations and uncertainty over the outcome of future litigation. The Group performs an actuarial analysis at least annually to help understand and value its exposures and has put in place more frequent monitoring processes to identify if emerging trends are in line with actuarial expectations.

Best estimates of reported claims are set having regard to past claims experience, current judicial interpretations of the law and other relevant information. The inherent uncertainty in insurance claims makes it likely that historical data will not be wholly predictive of the actual future emergence and development of claims. A substantial measure of judgment is involved in both establishing the individual claims provisions and in interpreting past claims experience as part of the process of establishing the total claims provision. Exposure based techniques are used for long tail asbestos and environmental claims (which represent most of the gross technical reserves) together with actuarial claims projection techniques such as applying benchmark development factors and survival ratios to produce the range of estimates. These estimates do not represent the minimum and maximum estimates of future liability but provide a range of outcomes in which the ultimate liability may reasonably fall including a best estimate.

Material risk exposures and risk concentrations

The most material remaining gross balance sheet exposures are to US asbestos and pollution claims arising from the business written through the B.D.Cooke underwriting pool. These exposures primarily relate to liability coverage emanating from Dominion and Trent's participation in the subscription market underwritten in London and covering major US corporations, and to reinsurance of US domestic insurers writing similar types of business.

A substantial proportion of claims relate to asbestos related disease claims. Asbestos related claims can be subject to very long delays in reporting losses, since the onset of illness and disability arising from the exposure to harmful conditions may only become apparent many years later; in cases of mesothelioma this latency period can be anything between 10 and 40 years. US environmental claims

primarily relate to damages and clean-up costs required to remediate industrial work sites which allegedly occurred during the original policy coverage periods. The costs of remediation are often highly uncertain and subject to complex litigation involving multiple parties. A proportion of US asbestos and pollution claims emanate from entities which are subject to bankruptcy proceedings which can have the effect of further obscuring the ultimate cost of claims.

As a consequence of the reinsurance arrangements in place, the most material net balance sheet exposures relate to UK asbestos and other industrial disease claims emanating from employer's liability policies written by Dominion, and to the costs associated with running off the remaining liabilities to extinction.

Risk mitigation

The strategy adopted by the Group to manage this risk is to actively engage in the London Market claims process, by employing expert claims handlers with extensive experience in dealing with the processes surrounding the management of US APH claims, and by engaging expert external lawyers. Reserves resulting from these activities are recorded in as accurate and timely manner as possible. The Group maintains originals of all policies subject to these claims enabling it to verify the validity of the claims and the Group's share of the risks. These records are maintained in secure offsite storage. The reserves recorded together with other historical claims and policy data are reviewed annually, including reviews by independent actuarial consultants with specialist knowledge of US pollution and US and UK asbestos liabilities.

Where appropriate the Group negotiates coverage in place agreements which clarify interpretation of coverage, or pursues claim settlements, policy buybacks and commutations with its insureds and reinsureds at mutually agreeable values. By extinguishing such exposure the Group benefits from a reduction in uncertainty over the future cost of its insurance and reinsurance liabilities.

Following acquisition by Premia Holdings Limited, a quota share reinsurance has been put in place reinsuring 100% of USD denominated asbestos, pollution and health hazard claims, substantially mitigating reserve risk. The reinsurance is placed with Premia Reinsurance Limited, a Bermuda based reinsurer and the primary risk carrier within Premia. This reinsurance is secured via a trust fund invested in investment grade cash and fixed income securities, the value of which exceeded reserves ceded at year end. The value of collateral is reviewed quarterly.

C2. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from the Group's investments in fixed income securities and cash deposits. The Group's primary market risk is that proceeds from financial assets are not sufficient to meet its claims settlement obligations due under the run-off of its insurance business. The Group does not have any "off balance sheet" positions or investment in special purpose vehicles.

Measures used to assess risk

The Group measures market risk through:

- Investment reports received from its investment managers detailing individual investment holdings and information on their current yield, credit quality and duration, and the average yield, credit quality and duration of the portfolio as a whole.
- Reports prepared by the Finance team reporting on actual investment returns.
- Reports prepared by the Finance team setting out the net exposure of the Group to different currencies, and the average duration of assets compared with liabilities.

- Risk charges calculated applying the Solvency II standard formula to the Group's investment assets.

Material risk exposures and risk concentrations

The group is exposed to material risk from factors which affect USD and GBP yield curves and exchange rates, reflecting the disposition of the Group's investments and liabilities. Such factors include trends in the UK, US and global economy such as future inflation and central bank interest rates and geo-political events which in turn have an impact on these. Adverse trends in inflation, interest or exchange rates have the potential to impair the realisable value of fixed income securities held by the Group or result in the proceeds at maturity being worth less than the value of the claim liabilities they were designed to match (i.e. asset-liability matching risk).

A process to monitor any effects on reserve adequacy caused by the heightened inflationary environment has been underway in 2022. As at the year-end, no material impact has been identified in respect of case reserves. No excess inflation has been recognised although an allowance has been made within the Incurred But Not Reported ("IBNR") reserves for the potential future effects of inflation.

The Group is also exposed to spread risk, which is influenced by changes in the perceived credit quality of its investments causing changes in the realisable value of its investments.

The Group no longer has any material exposure to property or equity risk, as the Group disposed of all equity investments in 2020 and sold its head office building in January 2022.

Risk mitigation and "prudent person" principle

The Group invests in accordance with the 'prudent person principle' set out in Article 132 of Directive 2009/138/EC, in particular:

- The investment parameters set by the Board ensure that the portfolio is invested in UK and US government bonds or corporate bonds, with the balance of the portfolio being held in cash and cash deposits
- The investment mandate permits only investment grade (BBB or above) investments are permitted within discretionary accounts managed by the investment managers
- Investment mandates limit exposure to single issuers or sectors
- No derivatives are held.

The Group's investment policy is to seek to match investments by currency and duration, thereby mitigating the risk arising from fluctuations in interest and exchange rates.

C3. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Measures used to assess risk

Counterparty default risk is estimated by using counterparties' credit ratings and solvency ratios to calculate the risk of unexpected default. Counterparties include any institution or individual that is a debtor to the Group and in particular the reinsurers of the Group.

Material risk exposures and risk concentrations

The key areas where the Group is exposed to credit risk are:

- Amounts due from issuers of corporate bonds and similar fixed income products
- Cash on deposit and at bank

- Reinsurers' share of insurance liabilities
- Amounts due from reinsurers in respect of claims already paid

The largest credit risk the Group faces is from the inability of reinsurers to meet the obligations assumed under reinsurance arrangements. Premia Reinsurance Ltd represents the largest reinsurance exposure as a consequence of the quota share covering US asbestos, pollution and health hazard claims. The remaining reinsurance asset relates to reinsurers with investment grade credit ratings or other members of the B.D.Cooke underwriting pool. Deposits are held with several large global banking institutions. The largest concentrations of fixed income investments relate to holdings of UK and US government bonds.

Risk mitigation

This risk is mitigated by:

- Placing reinsurance with reputable reinsurers and monitoring receivables at regular intervals.
- Setting maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings, for example through investment mandates.
- Regular reviews of reinsurance debtors within the Finance and Run-off committee
- An annual review of the provision for impairment.
- Reinsurance balances ceded to Premia Reinsurance Ltd are secured by a reinsurance trust fund. The value of collateral and quality of investments held in this fund are reviewed quarterly.

C4. Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due.

Measures used to assess risk

The group maintains a projection of cash outflows (primarily claims settlements) to ensure that enough liquidity is present within the cash and asset portfolios to meet claim payments.

Material risk exposures and concentrations

Claims are projected to remain payable for in excess of 30 years. The largest single estimated policyholder claim would represent less than 5% of all future estimated cash outflows.

Risk mitigation

The Group aims to mitigate liquidity risk by monitoring cash generation from its operations. In addition, illiquidity in market trading is mitigated by investing primarily in listed investments, and matching the maturity of fixed income assets to the expected claim payment profile.

C5. Operational risk

Operational risk is the risk of loss due to inadequate or failed internal processes, people or systems, or from external events having an impact on business continuity.

Measures used to assess risk

Service levels under outsourced arrangements are monitored against formal service level targets through the Operations Committee.

Material risk exposures and concentrations

The Group relies on a small number of staff with the particular skill sets and experience necessary to ensure that processes and controls are carried out as required. Therefore it is exposed to the risk of staff leaving and potential difficulty of finding suitable replacements.

Risk mitigation

This risk is mitigated by the following:

- Implementation of a shared services operating model for most aspects of the business, allowing the use of the broader resources of Premia in the UK and increasing business resilience
- Implementation of flexible working arrangements for all staff and use of a “deputies” system whereby each staff member’s key tasks are assigned to another staff member in the event of absence.
- Introduction of an incident reporting process in 2021 to capture both actual and “near miss” incidents in order to further minimise operational risk.

The Group continually evaluates internal processes and controls to enhance the assessment of operational risk.

C6. Other information regarding risk profile

Climate change

Climate change risk arises from:

- The potential for additional claims if underlying liability of any of the Groups’ insured is established and deemed covered under policies written by Dominion or Trent.
- The potential for the value of investments to become impaired if the issuing counterparty is itself exposed to climate change risk or operates in an industry which will be affected by regulations designed to mitigate climate risk (ie potential “stranded assets”).

Monitoring of potential climate-related financial risks continued during 2022 and was subsumed within a broader approach to ESG (Environment, Social, and Governance) that was developed during the year. An ESG Framework and ESG Strategy were put in place in 2022 and a number of feasibility studies conducted to further understand the extent and nature of the Company’s risk profile in these areas. Such feasibility studies have informed a detailed ESG Plan for 2023 which will be implemented during the year.

ESG including climate-change risk has been included in the risk register ensuring on-going review, assessment, and reporting of the risk, the status of its associated controls and metrics to the key stakeholders. Ownership of ESG – and the financial risks of climate change as part of that – has been assigned to David Roberts, an appropriate SMF (Senior Management Functions) holder. Climate change related risk has been the subject of regular Board-level engagement during 2022. Board training on the risks associated with climate change and ESG more broadly took place in 2022.

The Group’s investment policies, including limits placed on investments in specific issuers or industries, mitigate potential exposure to climate change risk. No specific exposure to climate change related liabilities has been identified.

Stress and sensitivity testing

The Group has analysed its risk profile and developed stress and sensitivity tests to assess the robustness of Group solvency as a consequence of:

- A severe deterioration in net liabilities
- A credit impairment event arising from its largest reinsurance counterparty, including mitigation from collateral held
- Additional unanticipated operating costs required to complete the run-off of the business
- A combination of the above stresses

The methodology assumed a “day 1” deterioration in the financial condition of the business and considered the impact on solvency ratio at the point of stress and for the following three years. The

results from the stress testing indicated current levels of Group solvency were sufficient to avoid impairment of the Group's claims paying ability across a range of non-remote future scenarios.

D. Valuation for solvency purposes

D1. Assets

Other than the adjustments noted in the tables below the valuation principles applied to these assets are the same as those used in the UK GAAP Financial Statements, notably:

- Government and corporate bonds – these are quoted instruments in active markets. Market prices as at 31 December 2022 have been applied.
- Property – representing the value of the Old Woking leasehold.
- Other financial investments – these are quoted instruments in active markets. Market prices as at 31 December 2022 have been applied.
- Investment in subsidiary – this has been valued at adjusted equity at 31 December 2022.
- Intermediary receivables – valued based on the best estimate of the recoverable value.
- Cash and equivalents – valued at the amount held at the period end, translated using the year end exchange rate where appropriate.
- Other assets – valued based on the best estimate of the recoverable or realisable value. The adjustment for Solvency II purposes relate to the reclassification of accrued interest arising on bonds.
- Reinsurance recoverable – The undiscounted reinsurance recoverable valued on a SII basis is materially equivalent to the UK GAAP basis (See D2 for a fuller description of technical reserves valuation). For the Solvency II balance sheet these recoveries have been discounted at the risk free rates as opposed to 3.77% in the UK GAAP Financial Statements.

Assets held by the Group as at 31 December 2022 were as follows:

Group

| | Per UK GAAP valuation | Valuation adjustments | | Per Solvency II valuation |
|-----------------------------------------------|-----------------------------|---------------------------|----------------------------|---------------------------------|
| | | other than discounting | Discounting adjustments | |
| <i>All figures in \$000s</i> | | | | |
| Investments in government and corporate bonds | 21,827 | 298 | - | 22,125 |
| Other Financial Investments | 2,773 | 9 | - | 2,782 |
| Property, plant and equipment | 6 | - | - | 6 |
| Reinsurance recoverable | 69,670 | - | (6) | 69,664 |
| Cash and cash equivalents | 4,503 | - | - | 4,503 |
| Reinsurance receivables | 2,310 | - | - | 2,310 |
| Other | 835 | (307) | - | 528 |
| Total | 101,924 | - | (6) | 101,918 |

Assets held by Dominion as at 31 December 2022 were as follows:

Dominion

| <i>All figures in \$000s</i> | Per UK GAAP valuation | Valuation adjustments | | Per Solvency II valuation |
|-----------------------------------------------|-----------------------------|---------------------------|----------------------------|---------------------------------|
| | | other than discounting | Discounting adjustments | |
| Investments in government and corporate bonds | 17,674 | 253 | - | 17,927 |
| Other Financial Investments | 2,773 | 9 | - | 2,782 |
| Property, plant and equipment | 6 | | | 6 |
| Investment in subsidiary | 6,221 | (191) | | 6,030 |
| Reinsurance recoverable | 68,728 | - | (6) | 68,722 |
| Cash and cash equivalents | 3,685 | - | - | 3,685 |
| Reinsurance receivables | 2,374 | - | - | 2,374 |
| Other | 791 | (262) | - | 529 |
| Total | 102,252 | (191) | (6) | 102,055 |

Assets held by Trent as at 31 December 2022 were as follows:

Trent

| <i>All figures in \$000s</i> | Per UK GAAP valuation | Valuation adjustments | | Per Solvency II valuation |
|-----------------------------------------------|-----------------------------|---------------------------|----------------------------|---------------------------------|
| | | other than discounting | Discounting adjustments | |
| Investments in government and corporate bonds | 4,153 | 45 | - | 4,198 |
| Other Financial Investments | - | - | - | - |
| Reinsurance recoverable | 942 | - | - | 942 |
| Cash and cash equivalents | 818 | - | - | 818 |
| Reinsurance receivables | - | - | - | - |
| Other | 1,516 | (45) | - | 1,471 |
| Total | 7,429 | - | - | 7,429 |

D2. Technical provisions

Solvency II Technical Provisions have been calculated in accordance with the Delegated Regulations (EU2015/35) as adopted by the European Commission on 10 October 2014. The technical provisions are valued based on the best estimate of the cash flows of future liabilities, discounted using the EIOPA risk free rate curves plus a risk margin. The best estimate at the group level is determined on a consolidated basis. The risk margin is recalculated on a consolidated basis.

Calculation of best estimate

The best estimate is based on:

- the estimated ultimate cost of all claims notified but not settled by the balance sheet date
- claims incurred but not reported at the balance sheet date
- a provision for related costs.

The best estimate is calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share, having regard to collectability (see D1).

The best estimate includes amounts in respect of potential claims relating to US environmental pollution claims and US and UK asbestos related claims. These claims are not expected to be settled for many years and there is considerable uncertainty as to the amounts at which they will be settled.

The level of the best estimate has been set on the basis of the information which is currently available including potential outstanding claims advices and case law. Consulting actuaries are employed to assist the Directors in setting the best estimate. The methods used, and the estimates made, are reviewed regularly.

The claims incurred but not reported amount is based on estimates calculated using statistical techniques in consultation with the external consulting actuaries. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. In addition, factors such as knowledge of specific events and terms and conditions of policies are taken into account. The critical assumption used when estimating claims provisions is that past experience is a reasonable predictor of likely future claims development.

Whilst the Directors consider that the best estimate is fairly stated on the basis of the information currently available to them, there exists considerable uncertainty in respect of the ultimate liability as this will vary as a result of subsequent information and events and may result in material adjustments to the amount provided.

The valuation of technical provisions includes both unallocated claims management costs reported within the financial statements and additional expenses expected to be incurred in the future relating to additional costs of servicing policies and completing the run-off of the Group's business. Additional expense provisions were strengthened in the year to reflect a longer anticipated period to conclusion of the run-off of the business than had previously been anticipated.

Discounting (Rates and Future Cash Flows)

The technical provisions valuation is calculated separately for USD and GBP exposures and discounted using the relevant EIOPA basic risk free rate curves with no volatility adjustment. Cash flows of future claim payments have been made based on historical patterns and industry benchmark curves. The cash flows for the run-off provision have been projected over the estimated life of the run-off.

Risk Margin

The Risk Margin is the additional amount that it is estimated that a third party undertaking would require in order to assume the liability. The calculation comprises the reserve, counterparty and operational components of the SCR. The risk margin is estimated following the Standard Formula requirements using a cost of capital approach (6%) and an estimate that the 3 components will run-off in proportion to the run-off of the technical provisions. This is deemed appropriate as the reserving risk is by far the largest component of the Group's SCR calculation and it in turn is determined by the size of the technical provisions.

The net technical provisions by line of business for the Group as at 31 December 2022 were as follows:

Group

| | Per UK GAAP valuation | Valuation adjustments | | Per Solvency II valuation |
|-------------------------------------------------|-----------------------------|---------------------------|----------------------------|---------------------------------|
| | | other than discounting | Discounting adjustments | |
| <i>All figures in \$000s</i> | | | | |
| General liability insurance and proportional RI | 7,717 | 6,661 | (881) | 13,504 |
| Non-proportional casualty reinsurance | 2,211 | 1,909 | (252) | 3,861 |
| Total | 9,928 | 8,570 | (1,133) | 17,365 |

The net technical provisions by line of business for Dominion as at 31 December 2022 were as follows:

Dominion

| | Per UK GAAP valuation | Valuation adjustments | | Per Solvency II valuation |
|-------------------------------------------------|-----------------------------|---------------------------|----------------------------|---------------------------------|
| | | other than discounting | Discounting adjustments | |
| <i>All figures in \$000s</i> | | | | |
| General liability insurance and proportional RI | 7,560 | 6,486 | (855) | 13,191 |
| Non-proportional casualty reinsurance | 2,166 | 1,859 | (245) | 3,780 |
| Total | 9,726 | 8,345 | (1,100) | 16,971 |

The net technical provisions by line of business for Trent as at 31 December 2022 were as follows:

Trent

| | Per UK GAAP valuation | Valuation adjustments | | Per Solvency II valuation |
|-------------------------------------------------|-----------------------------|---------------------------|----------------------------|---------------------------------|
| | | other than discounting | Discounting adjustments | |
| <i>All figures in \$000s</i> | | | | |
| General liability insurance and proportional RI | 157 | 175 | (26) | 313 |
| Non-proportional casualty reinsurance | 45 | 50 | (7) | 81 |
| Total | 202 | 225 | (33) | 394 |

Transitional arrangements and adjustments

The Group has not applied for and is not applying the matching adjustment (referred to in Article 77b of the Directive), the volatility adjustment (referred to in Article 77d of the Directive), the transitional risk-free interest rate term structure or the transitional deduction (referred to in Article 308c and 308d respectively of the Directive) with respect to the calculation of technical provisions.

Key areas of uncertainty

The key areas of uncertainty around net technical provisions include:

- Estimation of the ultimate cost of UK asbestos related claims – UK asbestos related claims account for the majority of claim liabilities net of reinsurance at the balance sheet date. These claims can be subject to a very long delay in reporting losses since the onset of illness and disability arising from the exposure to harmful conditions may only become apparent many

years later. A number of different judgements are required in assessing the number and severity of currently unreported claims that will be received in the future.

- Run-off expenses – the estimation of the expenses required to run off the insurance liabilities of the Group is inherently uncertain due to the estimations around the period of the run-off, base costs and inflation.
- Risk margin – the risk margin represents the theoretical margin that would be payable to compensate another insurance carrier and is calculated with reference to the run-off profile and associated forecast solvency capital requirement over the period of run-off. This therefore is subject to the uncertainties associated with best estimate ultimate claim costs and run-off expenses referenced above.

D3. Other liabilities

For Other liabilities the amounts in the UK GAAP financial statements are materially equivalent to the values required by Solvency II.

Group

| | Per UK GAAP valuation | Valuation adjustments | | Per Solvency II valuation |
|------------------------------------|-----------------------------|---------------------------|----------------------------|---------------------------------|
| | | other than discounting | Discounting adjustments | |
| <i>All figures in \$000s</i> | | | | |
| Insurance and Reinsurance payables | 74 | - | - | 74 |
| Accruals and other creditors | 11,019 | (9,842) | - | 1,177 |
| Total | 11,093 | (9,842) | - | 1,251 |

Dominion

| | Per UK GAAP valuation | Valuation adjustments | | Per Solvency II valuation |
|------------------------------------|-----------------------------|---------------------------|----------------------------|---------------------------------|
| | | other than discounting | Discounting adjustments | |
| <i>All figures in \$000s</i> | | | | |
| Insurance and Reinsurance payables | 74 | - | - | 74 |
| Accruals and other creditors | 1,992 | - | - | 1,992 |
| Total | 2,066 | - | - | 2,066 |

Trent

| | Per UK GAAP valuation | Valuation adjustments | | Per Solvency II valuation |
|------------------------------------|-----------------------------|---------------------------|----------------------------|---------------------------------|
| | | other than discounting | Discounting adjustments | |
| <i>All figures in \$000s</i> | | | | |
| Insurance and Reinsurance payables | - | - | - | - |
| Accruals and other creditors | 64 | - | - | 64 |
| Total | 64 | - | - | 64 |

D4. Alternative methods for valuation

There are no alternative valuation methods used by the Group

D5. Other information regarding valuation for solvency purposes

All material information regarding the valuation for solvency purposes has been disclosed in sections D1 to D4 above.

E. Capital management

E1. Own Funds

Own funds consist of paid in share capital and the reconciliation reserve arising from measurement of the balance sheet using Solvency II valuation principles. Own funds for the Group, Dominion and Trent are entirely classified as unrestricted Tier 1 own funds.

| Group | 2022 | | 2021 | |
|---------------------------------|---------------------------|---------------|---------------------------|---------------|
| | <i>Total Tier 1</i> | | <i>Total Tier 1</i> | |
| <i>All figures in \$000s</i> | <i>Total unrestricted</i> | | <i>Total unrestricted</i> | |
| Share capital and share premium | - | - | - | - |
| Minority interests | - | - | - | - |
| Reconciliation reserve | 13,641 | 13,641 | 13,695 | 13,695 |
| Total | 13,801 | 13,801 | 13,695 | 13,695 |

| Dominion | 2022 | | 2021 | |
|---------------------------------|---------------------------|---------------|---------------------------|---------------|
| | <i>Total Tier 1</i> | | <i>Total Tier 1</i> | |
| <i>All figures in \$000s</i> | <i>Total unrestricted</i> | | <i>Total unrestricted</i> | |
| Share capital and share premium | 50,857 | 50,857 | 50,857 | 50,857 |
| Minority interests | - | - | - | - |
| Reconciliation reserve | (36,562) | (36,562) | (37,029) | (37,029) |
| Total | 14,295 | 14,295 | 13,828 | 13,828 |

| Trent | 2022 | | 2021 | |
|---------------------------------|---------------------------|--------------|---------------------------|--------------|
| | <i>Total Tier 1</i> | | <i>Total Tier 1</i> | |
| <i>All figures in \$000s</i> | <i>Total unrestricted</i> | | <i>Total unrestricted</i> | |
| Share capital and share premium | 5,905 | 5,905 | 5,905 | 5,905 |
| Minority interests | - | - | - | - |
| Reconciliation reserve | 125 | 125 | 286 | 286 |
| Total | 6,030 | 6,030 | 6,191 | 6,191 |

The 2022 group own funds has been calculated reflecting the 100% economic interest of PUKH2 in Dominion and Trent, therefore there are no minority interests.

The tables below set out the reconciliation between Own Funds and net assets as reported in the financial statements:

Group

| <i>All figures in \$000s</i> | 2022 | 2021 |
|--------------------------------------------------|---------------|---------------|
| UK GAAP net assets | 2,082 | 2,059 |
| Goodwill Solvency II adjustments | 18,995 | 21,454 |
| Net technical provisions Solvency II adjustments | (7,436) | (9,818) |
| Own Funds | 13,641 | 13,695 |

Dominion

| <i>All figures in \$000s</i> | 2022 | 2021 |
|--------------------------------------------------|---------------|---------------|
| UK GAAP net assets | 21,734 | 23,747 |
| Goodwill Solvency II adjustments | - | - |
| Net technical provisions Solvency II adjustments | (7,438) | (9,919) |
| Own Funds | 14,296 | 13,828 |

Trent

| <i>All figures in \$000s</i> | 2022 | 2021 |
|--------------------------------------------------|--------------|--------------|
| UK GAAP net assets | 6,221 | 6,345 |
| Goodwill Solvency II adjustments | - | - |
| Net technical provisions Solvency II adjustments | (191) | (152) |
| Own Funds | 6,030 | 6,191 |

E.2 Solvency capital requirement (“SCR”) and Minimum capital requirement (“MCR”)

The SCR for the Group and Dominion and Trent is calculated using the Standard Formula. The MCRs and the minimum value to the group SCR are determined using written premiums and technical provisions, subject to the application of minima and maxima relative to the SCR, and the absolute floor to the MCR which applies in the case of Trent.

The year-on-year reduction in SCR for the Group and for Dominion and Trent is primarily due to the reduction in the value of technical provisions as a consequence of the natural run-off of outstanding claims.

The tables below set out the components of the SCR calculation for each entity:

Group

| <i>All figures in \$000s</i> | 2022 | 2021 |
|------------------------------|--------------|---------------|
| Non-life underwriting risk | 4,477 | 6,529 |
| Market risk | 1,344 | 2,132 |
| Counterparty default risk | 1,455 | 1,650 |
| Operational risk | 1,761 | 2,499 |
| Diversification | (1,405) | (1,981) |
| Total SCR | 7,632 | 10,829 |
| <i>MCR</i> | <i>7,336</i> | <i>8,617</i> |

Dominion

| <i>All figures in \$000s</i> | 2022 | 2021 |
|------------------------------|--------------|---------------|
| Non-life underwriting risk | 4,374 | 6,306 |
| Market risk | 2,017 | 3,258 |
| Counterparty default risk | 1,445 | 1,582 |
| Operational risk | 1,837 | 2,610 |
| Diversification | (1,714) | (2,445) |
| Total SCR | 7,958 | 11,313 |
| <i>MCR</i> | <i>3,668</i> | <i>4,309</i> |

Dominion solo SCR market risk includes a risk charge arising from its investment in Trent which is higher than the contribution Trent makes to the consolidated PUKH2 SCR.

Trent

| <i>All figures in \$000s</i> | 2022 | 2021 |
|------------------------------|--------------|--------------|
| Non-life underwriting risk | 101 | 121 |
| Market risk | 260 | 16 |
| Counterparty default risk | 22 | 88 |
| Operational risk | 39 | 56 |
| Diversification | (73) | (38) |
| Total SCR | 349 | 242 |
| <i>MCR</i> | <i>3,668</i> | <i>4,309</i> |

E.3 Use of the 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 significant non-compliance with the SCR
Not applicable.

E.6 Other information regarding capital management
Not applicable.