

Princemark Holdings

Designated Activity Company

Solvency and Financial Condition Report
Reporting period ended 31 December 2021

Contents

SUMMARY	3
A. BUSINESS & PERFORMANCE	4
A.1 Business.....	4
A.2 Underwriting Performance	5
A.3 Investment Performance	6
A.4 Performance of other activities	7
A.5 Any other information	7
B. SYSTEM OF GOVERNANCE	8
B.1 General information on the system of governance.....	8
B.2 Fit and proper requirements.....	9
B.3 Risk Management System including the own risk and solvency assessment.....	10
B.4 Internal Control System	13
B.5 Internal Audit Function	14
B.6 Actuarial Function	14
B.7 Outsourcing.....	15
B.8 Any other information	16
C. RISK PROFILE	17
C.1 Underwriting risk	17
C.2 Market risk	18
C.3 Credit risk	19
C.4 Liquidity risk	19
C.5 Operational risk.....	19
C.6 Other material Risks.....	20
C.7 Any other information	20
D. VALUATION FOR SOLVENCY PURPOSES.....	21
D.1 Assets	21
D.2 Technical Provisions	22
D.3 Other liabilities.....	24
D.4 Alternative methods for valuation.....	24
D.5 Any other information	24
E. CAPITAL MANAGEMENT	25
E.1 Own funds.....	25
E.2 Solvency capital requirement and minimum capital requirement.....	26
E.3 Use of duration-based equity risk sub module in calculation of the solvency capital requirement	27
E.4 Differences between the standard formula and any internal model used	28
E.5 Non-Compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement	28
E.6 Any other information	28
ANNEX I – QUANTITATIVE REPORTING TEMPLATES	29

SUMMARY

This Report refers to the business of Princemark Holdings Designated Activity Company ('Princemark', 'the Company'), a captive reinsurer, authorised and supervised by the Central Bank of Ireland. It provides the reader with information on the Company's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management for the reporting period ended 31 December 2021.

Princemark has prepared this report in accordance with the relevant articles of the Commission Delegated Regulation (EU) 2015/35, together with the Guidelines on reporting and public disclosure issued by EIOPA.

The Company's business strategy is to reinsure part of the fire and other damage to property, general liability, miscellaneous financial loss and marine, aviation and transit insurance risk of Kerry Group plc and its subsidiaries. The impact of insurance risk volatility on the Company's capital base is mitigated through the selection of appropriate limits. Investment of Company funds is in line with the documented investment strategy, reflecting a 'prudent person' approach to the management of counterparty, concentration, interest rate and currency risk.

The Board of Directors of Princemark ("The Board") has identified the key risks to which Princemark is exposed and established appropriate corporate governance, risk management and reporting mechanisms to ensure that the identified risks remain relevant, and that they are managed and reported on with appropriate levels of detail and frequency. The Company has established a comprehensive suite of risk policies and implemented a series of internal controls to ensure that Princemark can be managed in accordance with its governance and risk management systems. Documented escalation mechanisms are in place to ensure that any breaches in risk limits and tolerances, internal controls and governance requirements can be reported promptly to the appropriate individuals. Risks to which the Company is exposed are well understood and are used to determine the level of solvency and capital required over the business planning period and to better inform decision making within the Company.

There were no material changes to Princemark's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management over the reporting period.

As at 31 December 2021, the Company had eligible own funds of £37.4m (2020: £35.3m) available to meet its Solvency Capital Requirement (SCR) of £24.5m (2020: £23.9m); resulting in a Solvency Ratio of 153%% (2020: 148%) which is in compliance with the regulatory solvency requirements per the Solvency II regulations. The Board is satisfied that the Company has adequate and appropriate capital to support its business operations. The Minimum Capital Requirement (MCR) was also satisfactorily met at the year-end. There were no instances of non-compliance with the capital requirements during the year.

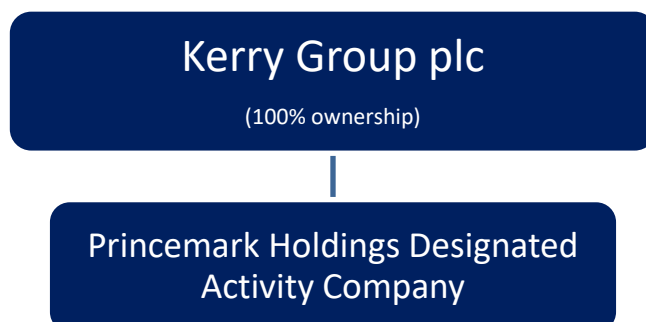
A. BUSINESS & PERFORMANCE

A.1 Business

Princemark is based in Co. Kerry, Ireland and is licensed as a reinsurance undertaking, under the supervision of the Central Bank of Ireland ('CBI'). Princemark was incorporated in Ireland in 1999, and in line with the requirements of the Companies Act 2014 converted to a designated activity company (DAC), limited by shares, effective 21 July 2016.

The Company is a wholly owned subsidiary of its parent company, Kerry Group plc, headquartered at Prince's Street, Tralee, Co. Kerry, Ireland, (thereafter 'the Group') and reinsures solely the risks of the group and is therefore considered to be a captive reinsurer. The Group is the world's leading taste and nutrition partner for the food, beverage and pharmaceutical markets, with their broad range of ingredient solutions currently reaching over one billion customers to create great tasting products, with improved nutrition and functionality, while ensuring better impact for the planet. The Group's leading consumer insights, global Research, Development & Application team of 1,100 plus scientists and extensive global footprint enable the Group to solve their customer's complex challenges with differentiated solutions. The Group employs approximately 22,000 people, with 152 manufacturing locations across 36 countries and 18,000 products with greater than 80% providing positive and balanced nutrition..

The position of the Company within the Group is set out below:



Details on principal subsidiaries are published within the Kerry Group plc Annual Report, 2021, which is available to download from www.kerrygroup.com.

The operation of the Company is subject to the local regulatory requirements in Ireland within which it operates. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions, for example capital adequacy to minimise the risk of default and insolvency on the part of the Company.

Princemark conducts all significant business activities, including underwriting, premium invoicing & collection, claims reserving & payments, and investing from its offices in Ireland.

The Company's independent auditor PricewaterhouseCoopers ('PwC') is located at North Wall Quay, Dublin 1.

The insurance supervision division at the CBI may be contacted at their offices in New Wapping Street, North Wall Quay, Dublin 1, Ireland.

There have been no significant events during the reporting period which have had a material impact on the Company.

A.2 Underwriting Performance

The principal risks and uncertainties that the Company faces are, by the very nature of the business, those for which it provides or has provided reinsurance cover. The Company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims over time, but the uncertainty surrounding the severity and frequency of claims can lead to significant variation in the Company's performance in the short term. Whilst considerable judgment is involved, the Directors adopt an appropriately prudent approach to the provision and valuation of adequate reinsurance reserves, with annual support and certification being provided by an external actuary.

The Group strategy is to maintain a level of risk within the Company that provides the Group with the optimal reinsurance structure. It is therefore accepted that, in accordance with its business plan, the best strategic option available is for the Company to underwrite certain worldwide risks on a proportional reinsurance basis. Princemark is currently reinsuring Kerry Group plc risks under the following regulatory lines of business:

- General Liability
- Fire & Other Damage to Property
- Marine, Aviation & Transport
- Miscellaneous Financial Loss

Historically, reinsurance was provided for UK and Irish motor vehicle liability risks. However, no new risks have been accepted under this line of business since 2016.

All policies are subject to original policy deductibles, sub-limits and individual aggregates.

Premiums written relate to business incepted during the financial year. Provision is made for notified losses on all underwriting years.

Profit after tax for the financial year ended 31 December 2021 amounted to £566k (2020: £8.7m), with no dividend paid to the parent during 2021 (2020: £ Nil). The reduction in profit from the prior year is due to an allowance for notified claims and additional prudence built into the year-end reserves owing to the uncertainty surrounding the development of such notified claims. The prior year performance reflects amendments due to favourable claims development in prior underwriting years.

All premiums resulted from contracts of proportional reinsurance concluded in Ireland and are summarised by line of business overleaf:

Princemark Holdings Designated Activity Company

Premium (kGBP)	2021	2020	Variance
General Liability	7,154	6,672	482
Fire & Other Damage to Property	2,990	2,923	67
Marine, Aviation & Transport	229	182	47
Miscellaneous Financial Loss	1,200	1,200	-
Total	11,573	10,977	596

Premium pricing is re-assessed annually taking account of the underlying risks being reinsured, historical claims performance and the relevant costs associated with the administration of the programme. The premium movement year-on-year reflects changes in the underlying risks and recent claims experience.

Claims paid during the financial year ended 31 December 2021 totalled £7m (2020: £7.5m) and the movement in the provision for claims amounted to an increase of £4m (2020: reduction of £5.6m). Claims incurred (gross and net) are split by line of business as follows:

Line of Business (kGBP)	Claims Paid			Movement in Claims Provisions		
	2021	2020	Variance	2021	2020	Variance
General Liability	2,764	6,398	(3,634)	3,447	(7,877)	11,324
Fire & Other Damage to Property	3,880	604	3,276	690	408	282
Motor Vehicle Liability	193	121	72	(133)	(121)	(12)
Marine Aviation & Transport	196	336	(140)	(231)	240	(471)
Miscellaneous Financial Loss	-	-	-	209	1,758	(1,549)
Total	7,033	7,459	(426)	3,982	(5,592)	9,574

There has been little movement in claims paid in 2021 when compared to the prior year. The increase in claims reserves is driven largely by the uncertainty surrounding the development of certain notified claims.

Net operating expenses for the year amounted to £426k (2020: £426k net operating expense).

As the activities of the Company are predominately outsourced, the Company has no employees. The directors did not receive any remuneration during the year (2020: Nil).

A.3 Investment Performance

The investment position of the Company is monitored by the Board and Kerry Group Treasury on a regular basis, to ensure the investment guidelines of the Company are adhered to.

The Company allocates its investment portfolio between cash and intercompany loans, as described below.

Princemark Holdings Designated Activity Company

Cash: The Company maintains funds with one preapproved financial institution and group relationship bank, being Citibank. The investment income earned for the reporting period is £Nil (2020: £Nil).

Intercompany Loan: Available funds are invested, as deemed prudent by the Board, in one intercompany loan with a wholly owned subsidiary of Kerry Group Plc. The interest income earned for the financial year ended 31 December 2021 amounted to £524k (2020: £1,318k). The interest income has decreased from the prior year due to a reduction in the interest rates charged on intercompany loans.

The Company has no investments in securitised asset classes and all investment income is recognised in the Company's income statement.

A.4 Performance of other activities

Princemark does not engage in any activities other than those associated with captive reinsurance and has not entered into any leasing agreements.

A.5 Any other information

There are no other material items to report in this section.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

In order to meet the requirements for sound corporate governance, ensure efficient conduct of business and to protect the interests of the Company's stakeholders, the Company has a comprehensive Governance and Risk Management system in place.

The Board acknowledges its responsibility to ensure that risks are fully understood and appropriately managed and has taken appropriate steps to ensure that risk management, reporting and control processes have been put in place in a manner which reflects the nature and scale of the Company's activities. The Board is the focal point of the governance system and is ultimately accountable and responsible for the performance and conduct of the Company.

All authority comes from the Board and responsibilities are delegated in such a manner so as to ensure that no one individual has unfettered powers of decision and that business is undertaken in a controlled and responsible manner.

The overriding goal of the Company's risk management strategy is to control and to achieve, as much as possible, a reduction in the Company's risk exposure as a means of minimising the impact of undesired and/or unexpected events.

The Governance and Risk Management System of the Company may be described as relying on four cornerstones:

1. A Governance Framework aligned with the Company's strategic objectives, providing top level oversight by the Board, clear ownership and accountability for risks, as well as clear escalation and reporting channels.
2. A Risk Management System which details the Company's strategic objectives in documented Risk Policies. Limits and operational checkpoints as well as functional identification, mitigation and monitoring processes are documented for each risk.
3. A series of Internal Controls, defining the architecture of processes required to manage the Company in accordance with its Governance and risk management framework.
4. A Risk Register combining operational and risk management processes to deliver a descriptive analysis of material risks threatening at least one of the Company's strategic objectives.

The Board annually reviews the governance framework, the risk appetite framework setting out tolerance limits and operational limits for all risk categories, the risk management policies for all risk categories and the risk register for the Company.

The Board members have:

- The necessary knowledge, skills, experience, expertise, competencies, professionalism, fitness, probity and integrity to carry out their duties;
- A full understanding of the nature of the Company's business, material activities and related risks;
- A full understanding of their individual direct and indirect responsibilities and collective responsibilities; and

- An understanding of the Company's financial statements and key performance drivers.

The Company comprises the following senior personnel who have been selected to ensure that the Company is being run by individuals of appropriate expertise and integrity and who meet the criteria set out above:

Declan Crowley (Chairman)

Ronan Deasy

Elerina Conneely

There have been no material changes in the system of governance since the prior reporting period. Given the limited scale and complexity of the Company, and having reviewed the risks facing the Company thoroughly, the Board is satisfied that the system of governance in place is adequate.

The Board established an Audit Committee in 2021 in accordance with Section 167 of the Companies Act 2014. The Audit Committee is responsible for providing oversight in relation to the integrity of the Company's financial statements, and the effectiveness of its internal and external audit functions, its reporting procedures and its risk management framework.

Key Functions

The key functions of Risk Management, Internal Audit, Actuarial, Compliance and Operations have clear and defined lines of reporting directly to the Board. This is facilitated by the straightforward nature of the Company's structure and fit-for-purpose documented policies and procedures which are clearly communicated and well understood by all relevant parties. The Board has ensured that the key functions are appropriately resourced and have the necessary authority and operational independence to perform their roles. The Company has engaged Aon Insurance Managers (Dublin) Limited ('AIMD') for the provision of management services, under the terms of an outsourced service and management agreement which is overseen by the Board.

Remuneration and material transactions

The members of the Board are employees of Kerry Group plc and receive no remuneration for their services as directors to the Company. As the activities of the Company are predominately outsourced, Princemark has no employees and consequently no remuneration is paid.

As a captive reinsurer, all Princemark's inward premium flows and outward claims payments relate to insured risks of the shareholder group. In addition, the Company has advanced an intergroup loan to a fellow Group subsidiary. Other than these transactions which arise in the normal course of business, the Company had no material transactions during the reporting period with members of the shareholder group and none with members of the Board.

B.2 Fit and proper requirements

Princemark has documented its Fitness & Probity policy setting out the Company's approach to the selection and assessment of the persons who effectively run the Company or are responsible for other key functions.

In selecting individuals as directors or function holders, the Company takes account of the following factors:

- specific requirements of the role

- the skills, experience and relevant qualifications of the proposed individual
- results of due diligence enquiries
- conflicts of interest
- time requirements and other commitments
- competence and integrity
- financial soundness

Consideration is given to ensuring an appropriate mix of knowledge, skills and experience across the Board and for those roles where specialist skills are required e.g. Head of Actuarial Function, only those individuals possessing the pertinent qualifications and expertise will be considered.

For those roles which are prescribed by the CBI as Controlled Functions (CFs) and Pre-approval Controlled Functions (PCFs), the Compliance function adopts appropriate control and due diligence processes in the selection and vetting of such individuals to ensure that they meet the regulator's fit and proper criteria. Written approval from the CBI is obtained prior to the appointment of PCFs. Appointed individuals are required to maintain on-going compliance with the Standards of Fitness & Probity and the guidance issued by the CBI.

Princemark is satisfied that appointed individuals performing controlled functions meet all relevant regulatory requirements and have a suitable level of training and qualification in order to enable them to carry out their respective duties.

B.3 Risk Management System including the own risk and solvency assessment

The Company has taken appropriate actions in order to:

- embed risk management as a key function within its governance structure; and
- develop and maintain effective processes and reporting procedures to identify, measure, monitor, manage and report, on a continuous basis, the risks to which the Company is exposed.

Risk refers to the effect of uncertainty on the Company's ability to meet its objectives. Risk management is a systematic approach to protect the business resources and income against losses and unexpected events so that objectives of the Company can be achieved without unnecessary disruption.

The Company's Risk Management System:

- sets out the level of risk acceptable by the Company (risk appetite and risk tolerance);
- identifies the risks which represent a threat to the achievement of its strategic objectives;
- identifies, defines and regularly measures key risk indicators enabling an efficient monitoring of risks;
- defines the appropriate actions to reduce the Company's risk exposure;
- ensures the risk management framework is adopted in day-to-day business processes; and
- regularly reviews controls and mitigation actions to ensure that they remain relevant and effective.

In order to achieve these objectives, the Risk Management System of the Company has been clearly documented and specified through specific risk management policies for each key risk category. The key risk categories for which the Company has set up specific control and monitoring mechanisms are:

- Underwriting/Reserving
- Asset Liability Management ('ALM')

- Investment
- Liquidity and concentration
- Operational
- Reinsurance and other risk mitigation techniques
- Strategic Risk

In addition to these policies, an outsourcing policy defining the key rules and criteria to be followed by each service provider has been documented.

Own Risk and Solvency Assessment

The Company performs an Own Risk and Solvency Assessment ('ORSA') process annually in order to provide its Board with a forward-looking risk and capital assessment. The adequacy of the available capital, the Risk Appetite Framework and the appropriateness of the risk limits is assessed for the business planning period, considering the evolving risk profile. To this end, risks and scenarios to which the Company is exposed during the business planning period and which may affect the capacity to meet its reinsurance obligations or pose a threat to the achievement of its business objectives are taken into account. The approach may be summarised as follows:

Define the Stress scenarios

Stress testing and scenario analysis are used to assess whether the available and future capital is sufficient in expected and stressed situations.

Business projections, stresses and scenarios are compiled by the Operations Function with input and agreement from the Board to ensure that these are appropriate for the Company.

Stress the Financial Plan

Stress test scenarios are embedded into the projected financial plan. Related solvency capital requirements and solvency ratios are then calculated for each year, resulting in a stressed financial plan and the solvency impact of adverse scenarios. This exercise is conducted by the Actuarial Function and validated by the Risk Management Function.

Assess prospective solvency needs on the basis of the Stressed Financial Plan

The Risk Management Function identifies potential additional mitigation actions to reduce the potential impact of the stress scenarios. Where applicable, any future additional capital needs will be identified and aligned to the Company's capital management plan i.e. defining the measures to restore the Company's solvency margin should the assumed scenarios occur.

Princemark Holdings Designated Activity Company

Produce the ORSA Report

The ORSA report brings clarity over projected risk assessments and solvency needs to 3 different stakeholders:

Stakeholder	Expectation	ORSA Report
Board of Directors	Matching between risks to which the Company is or can be exposed and the Risk Appetite framework.	Provides a clear and prospective understanding of critical risk exposures and their relationship with Risk Appetite boundaries.
Shareholders	Detailed and prospective understanding about the risk of bankruptcy and potential need for future additional capital.	Provides a plan for capital needs on the time horizon of the financial planning.
Supervisory Authority	Detailed and prospective understanding of potential ORSA deviations compared to the Solvency Capital Requirements.	Gathers information about projected Solvency ratios and explanations about deviations due to specific critical risks exposures.

The ORSA process described above ensures that ORSA is integrated in the decision-making and business planning process. Furthermore, monitoring procedures as set out in the risk management policies ensure that risk exposures are measured on a regular basis triggering exception reports for the Board.

In line with CBI requirements, the Head of Actuarial Function, which is performed by Aon Global Risk Consulting Sàrl and provides an Actuarial Opinion to the Board in respect of the ORSA once the results of the ORSA process are presented to the Board for review and challenge.

The capital risk appetite for Princemark is to sustain its capital at a level sufficient to meet the regulatory Solvency Capital Requirement at all times. It is not the intention to maintain a significant capital buffer in Princemark's balance sheet.

Kerry Group plc would always seek to be in a position to take prompt corrective action to replenish capital to an appropriate level in Princemark so that solvency capital compliance can be demonstrated. Kerry Group plc is expected to continue to have ample capacity to provide this support to Princemark.

B.4 Internal Control System

The Internal Control System embedded in the Company's operations is a mix of processes undertaken by all stakeholders within the Company to provide reasonable assurance that the strategic objectives will be achieved.

In order to achieve the aforementioned objectives, the Internal Control framework of the Company is structured around five complementary components.

Component	Contents
Control Environment	A strong “risk and control” culture is embedded within the Company’s operations through the continuous oversight by the Board and the communication to all internal stakeholders of all governance and risk principles through the Company’s Governance Manual.
Risk Assessment	Procedures and policies are detailed and formalised in order to disclose the way of identifying, managing, controlling, mitigating and reporting issues relating to each risk category.
Reporting Channels	Clear and structured reporting processes are in place enabling the Board to have access to relevant, complete, reliable, correct and timely communication related to internal as well as external events.
Monitoring Process	The appropriate escalation of significant issues to the Board, the ongoing involvement of all internal stakeholders as well as the Internal Audit process enables the Company to continuously monitor and adapt when necessary its Internal Control System.
Control Activities	The Company has developed a comprehensive set of preventive, detective or corrective control actions embedded in its daily operations.

Detailed Processes and Embedded Control Activities

In order to set out how the Internal Control System is implemented, the Company's processes and related control activities are documented, monitored and reviewed on a regular basis.

These items are approved by the Board and evaluated by the Internal Audit Function. They are reviewed by the Board as often as necessary, but at least once a year.

Tasks and actions are shared between the key functions of the Company. This serves to clarify related roles, responsibilities and embedded control activities.

Compliance Function

The Company’s Compliance Function reports directly into the Board.

The responsibilities of the Compliance Function include:

- utilisation of compliance management practices that contribute to the use of sound, responsible and sustainable business practices by the Company;

- presentation of an annual compliance plan to the Board, outlining specific areas which it will focus on during a particular year;
- promotion of a culture of compliance within the organisation;
- maintenance of a comprehensive compliance risk management control and reporting system in conjunction with the Risk Management Function to assist in managing the compliance risk faced by the Company;
- consideration of possible future changes in the legal environment and their potential effect on the Company as well as providing regular compliance and regulatory updates to the Board;
- identification and communication throughout the Company the laws, regulations and codes of conduct to which the Company is subject and assisting to embed compliance with these in the way the Company does business; and
- investigation and follow up of compliance breaches, ensuring timely reporting to the Board and in certain circumstances to outside bodies such as the CBI.

B.5 Internal Audit Function

Purpose & Objectives

The purpose of the Internal Audit Function is to serve as an independent function that objectively evaluates and recommends improvements to the Company's internal control system by facilitating an objective and independent assessment.

The Internal Audit Function assists the Company achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control and governance processes of the Company. The audit approach is risk based and in line with an annual audit plan which is provided by the Head of Internal Audit to the Board.

The Board has developed effective policies and practices and will take appropriate corrective action in response to any weaknesses identified by internal and external auditors.

Independence and Impartiality

The Company's Internal Audit Function is independent of the operational activities audited and the Board.

The Internal Audit Function is free to report its findings and appraisals and to disclose them to the Board as required. This principle of independence of the Internal Audit Function ensures that the Internal Audit Function reports directly to the Board of the Company.

B.6 Actuarial Function

The Company has established an effective Actuarial Function, including a nominated Head of Actuarial Function ('HoAF'), Mr. Jean Michael Briot approved by the CBI, which carries out the following key tasks:

- coordinate the calculation of technical provisions;
- identify any inconsistency with the requirements set out in Articles 76 to 85 of the Solvency II Directive for the calculation of technical provisions and propose corrections as appropriate;
- explain any material effects of changes of data, methodologies or assumptions between valuation dates on the amount of technical provisions;
- assess the consistency of the internal and external data used in the calculation of technical

provisions against the data quality standards as set out in Article 82 of the Solvency II Directive. Where relevant, the Actuarial Function will provide recommendations on internal procedures to improve data quality;

- take into consideration the interrelations between the Underwriting Policy, reinsurance arrangements and technical provisions, when providing its opinion;
- report in writing at least annually to the Board. The reporting should document all material tasks that have been undertaken by the Actuarial Function, and include:
 - i. details of the technical provisions
 - ii. methodologies & assumptions
 - iii. data sufficiency & quality
 - iv. experience analysis
 - v. report to the Board on reliability & adequacy
 - vi. opinion on Underwriting Policy
 - vii. opinion on reinsurance arrangements.

Their report should include any deficiencies identified and give recommendations as to how such deficiencies could be remedied

- contribute to the effective implementation of the risk management system in particular:
 - i. with regard to risk modelling underlying the calculation of the Solvency and Minimum Capital Requirement; and
 - ii. the ORSA process.
- think critically and organise the execution of actuarial approaches
- provide an Actuarial Opinion to the Board in respect of the ORSA

In establishing the Company's Actuarial Function, the Board has ensured that the persons involved have the requisite qualifications and demonstrable experience in the area of non-life reserving and are fully conversant with the Solvency II requirements for the calculation of Technical Provisions.

B.7 Outsourcing

The objectives of Princemark's outsourcing policy are to ensure that the outsourcing of critical or important operational functions or activities does not lead to:

- Reduction in the Board's responsibility for, or influence over, key functions of the Company;
- Material impairment of the quality of the Company's System of Governance;
- Any impairment of the Company's ability to meet its regulatory requirements;
- Non-adherence to the Company's approved policies and procedures;
- Undue increases in operational risk or cost;
- Material impairment of the Company's ability to fulfil its obligations to stakeholders, nor impede effective supervision by regulators;
- Conflicts of Interest; or
- Breach of the Company's data protection obligations.

All functions and activities of the Company are eligible to be outsourced provided that each of the criteria detailed above are satisfied in each instance. Sub-outsourcing is allowable only in exceptional circumstances, on the condition that the sub-outsourced service provider satisfies the above criteria and subject to approval from the Board.

The Board is responsible for the approval of and termination of all outsourcing arrangements of critical

Princemark Holdings Designated Activity Company

or important functions or activities. Critical or important functions or activities include key functions of the Company's System of Governance and all functions within the Company that are fundamental to carry out its core business.

The Board is responsible for ensuring notification to the CBI is made in a timely manner prior to the outsourcing of critical or important functions or activities, and thereafter where there have been material developments in relation to the service provider.

The Board is responsible for assessing the risks associated with the outsourcing of critical or important functions or activities, carrying out the appropriate due diligence on the outsourced service provider and for reviewing the performance of outsourced service providers against their agreed and documented Service Level Agreements.

The management of the Company is coordinated and carried out at its place of business in Ireland. Princemark engages third-party outsourced service providers in order to access the expertise and strength and depth of resources necessary to manage the specific requirements of a regulated captive reinsurance company.

The following critical or important functions / activities are outsourced:

Critical or important function	Outsourced Service Provider	Jurisdiction
Underwriting and claims administration	AIMD	Ireland
Finance and accounting	AIMD	Ireland
Compliance Function	AIMD	Ireland
Risk Management Function	Kerry Group plc	Ireland
Actuarial Function	Aon Global Risk Consulting Sàrl	Luxembourg
Internal Audit Function	Kerry Group plc	Ireland

B.8 Any other information

The Board is satisfied, based on its assessment of the frameworks which have been established and are in use, that the Company's system of governance is appropriate and adequate for the nature, scale and complexity of the risks inherent in its business operations.

There are no other material items to report in this section.

C. RISK PROFILE

The Risk Appetite Framework adopted by the Board sets out the level of risk that the Company is prepared to accept in the pursuit of its strategic objectives. It sets out:

- the Company's overall philosophy to risk taking and the expectations of shareholders;
- the Company's tolerance to loss of capital, profit volatility and other specified measures; and
- the risk limits that are acceptable in terms of exposures to different types of risk.

The Company's Risk Register combines operational and risk management processes to deliver a descriptive analysis of material risks threatening at least one of the Company's strategic objectives.

The Board's annual ORSA process is based on the company's current and expected risk profile over the business planning period and supports the Board in achieving its strategic objectives by taking a structured and combined approach of strategy, risk management and capital management.

C.1 Underwriting risk

The Company underwrites contracts that transfer insurance risk to the Company on a proportional reinsurance basis. The risk under any reinsurance contract is the possibility that the insured event occurs and the uncertainty that the Company will have sufficient available assets to satisfy the amounts payable under the contract. The Company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims over time, but the uncertainty surrounding the severity and frequency of claims can lead to significant variation in the Company's performance in the short term.

As the Company is a captive reinsurer, it is effectively insuring the risks of one customer, its parent group, and thus is exposed to risk concentration. However, diversification is achieved through the reinsurance of different lines of business and the varying geographical locations of the underlying risks.

Underwriting risk is managed through:

- the adoption of documented controls and policies in relation to the underwriting and reserving processes;
- the setting of a risk appetite by the Board with reporting triggers and limits which are monitored and escalated in accordance with the Company's documented policies;
- the deployment of event and annual aggregate limits for the risks it reinsures; and
- the calculation of technical provisions in a prudent, reliable and objective manner using appropriate and consistent data.

There have been no changes to the Company's underwriting risk exposures or the basis by which they are assessed in the reporting period.

When calculating the technical provisions, appropriate statistical and accounting data is considered in the loss reserve estimation and recording process. Whilst considerable judgment is involved, the directors have put in place suitable processes to ensure that reserves established are appropriate. The Company takes all reasonable steps to ensure that it has appropriate information regarding its underwriting exposures.

Annual support and certification is provided by the Company's Actuarial Function.

Princemark Holdings Designated Activity Company

As part of the Company's ORSA process, stress and scenario tests incorporating differing claims experience and increased underwriting limits are considered. In the event of a material impact on the Company's solvency position following the occurrence of a stress scenario, a redistribution of the Company's current asset allocation would be deployed, and an additional capital injection would be requested from the shareholder as required.

Sensitivity analysis is also performed for underwriting risks by selecting conservative movements in future claims development for financial statements purposes and holding all other assumptions constant. The resultant impact on Gross and Net claims reserves, Profit before Tax (PBT) and equity is shown below:

	Gross and net claims reserve kGBP	Impact on PBT for the year kGBP	Impact on equity for the year kGBP
31 December 2021			
Increase in reinsurance contact liabilities by 10%	3,648	(3,648)	(3,192)
Decrease in reinsurance contact liabilities by 10%	(3,648)	3,648	3,192
31 December 2020			
Increase in reinsurance contact liabilities by 10%	3,250	(3,250)	(2,843)
Decrease in reinsurance contact liabilities by 10%	(3,250)	3,250	2,843

C.2 Market risk

The risk of future changes in market prices, which would result in devaluation of investable assets, may result from several factors, including, but not limited to value, liquidity, duration, composition, interest rates, foreign exchange rates and market fluctuations. The Company diversifies its portfolio to reduce the exposure to market fluctuations and market risk concentrations.

Princemark has an investment strategy in place in line with its Risk Appetite Framework and the related 'Prudent Person' regulatory requirements. The Company endeavours to:

- prudently invest with consideration of the prevailing financial market environment;
- ensure the Company invests appropriately so as not to result in the Company failing to meet its Solvency Capital Requirements;
- ensure that the Company holds assets of sufficient value and liquidity to meet all liabilities as they become due;
- maximise investment return within the levels of risk as defined by the Company's Risk Appetite;
- ensure compliance with the Liquidity Strategy and Policy;
- ensure compliance with the Asset-Liability Management Strategy and Policy; and
- ensure effective risk management of investments at all times, with due consideration of the risks associated with investments and procedures to monitor, manage and report these risks in a timely manner as part of the Company's overall Risk Management System.

There were no material changes to the measures used to assess the market risk exposure or the material risks over the reporting period.

Given the short-term cash nature of the assets and the Intercompany Loans, the impact of interest rate risk is limited. The exposure is kept under review. An increase of 50 basis points in interest rates would

have increased profit for the financial year by £146k (2020: £196k). The Company did not have any interest-bearing bank accounts during 2021.

The Company is exposed to currency risk to the extent its assets and liabilities are denominated in a currency different from its functional currency. The Company's principal transactions are carried out in sterling and its exposure to foreign exchange risk arises primarily with respect to euro. The business financial assets are primarily denominated in the same currencies as its insurance liabilities, which mitigate the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from receipt of premium in other currencies. Due to the limited exposure to currency risk, the Company considers that it is unnecessary to attempt to mitigate foreign exchange rate fluctuations.

C.3 Credit risk

Credit risk is the risk that one party to a financial instrument or financial arrangement will fail to discharge an obligation and cause the other party to incur a financial loss. The assets that are exposed to credit risk are:

- Cash and cash equivalents
- Intercompany loan with a Kerry Group plc subsidiary
- Amounts due from fronting insurers

The Company utilises custodians deemed to be of high credit quality to hold its cash and cash equivalents and deposits with credit institutions and additionally has limits in place in relation to the amount of cash which can be held by any one financial institution.

There were no material changes to the measures used to assess the credit risk exposure or the material risks over the reporting period.

C.4 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring material costs or penalties. The Company is exposed to liquidity risk if proceeds from financial assets are not sufficient to fund obligations arising from its reinsurance contracts. The Company has the potential to be exposed to calls on its available investment assets, principally from reinsurance claims.

The Company has determined that liquidity risk does not represent a significant exposure to its business. This assessment is based on the fact that the Company has its investments held in highly liquid assets which it can access immediately or within a very short time frame without incurring material costs or penalties.

There were no material changes to the measures used to assess the liquidity risk exposure or the material risks over the reporting period.

C.5 Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud, or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or can lead to financial loss.

Operational risk is managed by a strong governance structure being put in place, which includes the

extensive oversight by the shareholder, the Board and the Heads of Functions.

The Company has a rigorous control framework and monitoring process in place to manage operational risk. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures. Outsourced activities are monitored and managed in the same manner in line with the Outsourcing policy.

In addition, Princemark is subject to internal and external audit review.

Princemark maintains a regulatory dialogue with the CBI to mitigate the risk of any potential sanction or compliance breach as well as using expert, industry leading, service providers to provide its outsourced functions which helps avoid any material error or delay. In order to ensure the quality of the outsourced functions is as high as possible, Princemark has put in place service level agreements and regularly reviews the outsourced service providers.

The Company does not consider that it is exposed to material residual risk in this area due to the formality that has been created around the Company's processes and procedures including those for financial and regulatory reporting. There is no specific risk concentration associated with this category as internal controls include appropriate segregation of duties.

There were no material changes to the measures used to assess the operational risk exposure or the material risks over the reporting period.

C.6 Other material Risks

Strategic Risk

Strategic risk is the risk of loss arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes i.e. the risk associated with implementing the wrong strategy or failing to correctly implement the chosen strategy.

The control and monitoring actions/principles underlying the strategic risk management of the Company are:

- Review at least annually the appropriateness of the high-level overall objectives for the Company, the major risks facing the Company and the Risk Appetite for each of these major risks identified. The Board will ensure continuing appropriateness, at least annually and revisions shall be affected where necessary
- Ensure all plans are regularly reviewed to ensure that Risk Tolerances are not exceeded individually or in total.

Sensitivity Risk

The Actuarial Function assesses the sensitivity of its estimate of the Company's unpaid claim liabilities to varying the key assumptions underlying its analysis. Given the nature of the Company's exposures, the key assumptions underlying the actuarial analysis are subject to a range of reasonable interpretations.

No other material risks have been identified.

C.7 Any other information

There is no other information to report.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

Princemark prepares its financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council, applicable accounting standards, the relevant provisions of the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

Princemark uses the historical cost convention.

Princemark has 4 classes of assets:

- Cash at bank and in hand
- Intercompany loan
- Accrued interest
- Other debtors

Cash at bank and in hand are current accounts with daily liquidity. The Company utilises custodians deemed to be of high credit quality to hold its cash. Carrying amounts approximate fair value due to the high liquidity of the instruments.

Intercompany loans are measured in accordance with IFRS 9 'Financial Instruments' and included in the balance sheet at carrying value with accrued interest disclosed separately in the financial statements.

Amounts due from fronting insurers are held at the lower of cost or market value.

The only differences in the valuation of these assets between the Financial Statements and the Solvency II Quantitative Reporting Templates (QRT's) relate to:

- classification of accrued interest on the intercompany loans, which are shown separately in the Financial Statements; and
- the treatment of future cash flows relating to reinsurance debtors as part of the calculation of technical provisions (Section D2 below).

A reconciliation of the valuation for Solvency II purposes is as follows:

Asset in kGBP	Financial Statements	Solvency II	Reclass.	Fair Value Adj.
Investments – Intercompany Loans	44,987	45,002	15	-
Debtors	100	100	-	-
Cash at bank	27,875	27,875	-	-
Accrued interest	15	-	(15)	-
Total	72,977	72,977	-	-

D.2 Technical Provisions

Provision is made for notified losses on all underwriting years. The Company has regard to the gross and net loss positions as indicated by the claim circumstances reported to date and loss projections carried out under the direction of the Head of Actuarial Function using actuarial techniques.

Reserves for reinsurance contract liabilities are based upon management's best estimate of the ultimate liabilities and are determined with the assistance of, and based on, the results of the analysis performed by the Actuarial Function. The reserves include estimates for both case reserves and losses incurred but not reported ('IBNR').

Solvency II Technical Provisions

The Solvency II technical provisions are comprised of a Best Estimate of Liabilities ('BEL') and a Risk Margin ('RM').

The Solvency II BEL is comprised of a provision for claims outstanding ('PCO') and a premium provision ('PP'). The PCO represents the provision for the unpaid liabilities on claims that have been incurred as of the valuation date. The PP represents the expected profit underlying the unearned portion of policies that have already incepted and any policies that have been bound but not incepted ('BBNI'). The PCO is derived from an actuarial estimate of Princemark's unpaid claim liabilities. The adjustment of the estimate of unpaid claim liabilities, between the financial statements reserving basis and the Solvency II valuation basis, requires that unpaid claim liabilities per the financial statements are discounted to a present value basis. The evaluation of the best estimate outstanding claims reserves ('OSCR') is used as the starting point to evaluate the Solvency II technical provisions. The actuary utilises the basic risk-free rate curves with no volatility adjustment as of 31 December 2021, as published by EIOPA, to discount the cash flows underlying the PCO. These interest rates are utilised to discount all cash flows underlying the calculation of the Solvency II technical provisions. A provision for expenses related to the runoff of these liabilities is then added, as required by Solvency II, as the financial statements estimate of unpaid claim liabilities does not include a provision for the expenses that will be incurred in running off the liabilities.

The methodology adopted implicitly assumes that Princemark will continue to write business into the future and that a portion of the expenses in future years will be attributable to new business, consistent with the required derivation of the expense reserve as per the current Solvency II regulations. The BEL is calculated as the sum of the PCO and the PP. Actuarial methods used include Loss Ratio, Chain Ladder, Bornhuetter-Ferguson and Benktander-Hovinen. The actuarial reserves are "best estimates" in the sense that they represent the average of all possible outcomes. The actual amounts required to meet future claim payments may differ, even significantly, from estimates. This estimation error can arise for a number of reasons, such as model specification error, parameter error and random error.

Risk Margin

The Solvency II risk margin is intended to represent an amount that Princemark would be required to pay, in excess of the Best Estimate of the Liabilities, for a third party to assume the risk of running off the existing liabilities.

Princemark Holdings Designated Activity Company

The technical provisions at 31 December 2021 by line of business are as follows:

Line of Business (in kGBP)	SII BE OSCR + BE Premium (Discounted)	Risk Margin	SII Technical Provisions
General Liability	22,057	1,611	23,668
Fire & Other Damage to Property	4,526	470	4,996
Motor Vehicle Liability	146	8	154
Marine, Aviation & Transport	466	34	500
Miscellaneous Financial Loss	5,217	364	5,581
Total	32,412	2,487	34,899

The reconciliation between the value of technical provisions for solvency purposes and the financial statements at 31 December 2021 is shown below:

	Value (in kGBP)
Claims provisions per financial statement	36,478
Adjustment to best estimate	(3,063)
Undiscounted claims provisions	33,415
Net premium inflow	(10,434)
Expected claims outflow from future events	9,905
Expected expenses from future claims	576
Undiscounted technical provisions (incl. expenses)	33,462
Discounting on claims provision	(733)
Discounting on premium provision	(317)
Discounted technical provisions	32,412
Risk margin	2,487
Solvency II technical Provisions	34,899

Information on how the Company manages risk in the area of underwriting and reserving is set out in Section C1 above. Operational risks relating to the Company's technical provisions and claims data are managed using the Control Framework described in Section B4 above.

The Company is satisfied that it has access to sufficient historical claims data on an annual basis for the calculation of its technical provisions and that this data is accurate and appropriate for the Company's needs. Claims management processes by the Company are appropriate and adequate given the nature of the underlying risks. Significant reporting delays are not experienced.

In calculating its technical provisions on a Solvency II basis, Princemark has not applied any of the following items:

- matching adjustment referred to in Article 77b of Directive 2009/138/EC;
- volatility adjustment referred to in Article 77d of Directive 2009/138/EC;
- transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC; and
- transitional deduction referred to in Article 308d of Directive 2009/138/EC.

D.3 Other liabilities

Aside from Technical Provisions, the valuation of which is detailed on the previous page, Princemark has three other principal classes of liabilities:

- Deferred tax liability
- Other creditors
- Accruals

A reconciliation of the valuation for Solvency II purposes is as follows:

Other liability in kGBP	Financial Statements	Solvency II	Reclass.	Fair Value Adj.
Deferred tax liability	-	220	-	220
Other creditors	341	162	(179)	-
Accruals	288	288	-	-
Total	629	670	(179)	220

A deferred tax liability of £220k (2020: Deferred tax asset £7k) arises due to the valuation difference on the technical provisions, debtors and creditors between the Financial Statement Balance Sheet and the Solvency II Balance Sheet, multiplied by the applicable tax rate (12.5%).

Other creditors of £162k (2020: £1,372k) in the Solvency II Balance Sheet, consists of corporation tax payable and is held at the lower of cost or market value/realisable value. The balance differs from the financial statements due to the inclusion of future cash flows relating to reinsurance creditors in the calculation of technical provisions (Section D2 above).

D.4 Alternative methods for valuation

No alternative methods were used.

D.5 Any other information

There is no other information to report.

E. CAPITAL MANAGEMENT

E.1 Own funds

The Company has put in place a Capital Management policy to ensure that 'Own Fund' items, both at issue and subsequently, meet the requirements of the Solvency II capital regime. The objectives of the policy are to ensure that, on an on-going basis, the Company has:

- own fund items available to meet its capital requirements; and
- developed processes to ensure the appropriateness of its own fund items.

On an annual basis the Company reviews the level, composition and classification of own fund items to ensure they continue to meet its own solvency needs, and its regulatory obligations in respect of Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR). A three year forward looking time horizon is used for business planning purposes and any anticipated changes to the Company's business and risk profile are factored into the ORSA process to assess the solvency and capital needs over this business planning period. It is intended that the Company's capital needs will be managed out of its existing pool of own funds and the efficient management of the Company's reinsurance business. Should additional funds be required outside of that, they will be requested from the shareholder. There have been no material changes to this approach from the prior year.

The Company's own funds consist of the following items:

- Issued Share Capital; and
- Retained Earnings.

Any change to the share capital requires the approval of the Shareholder and the Board. Retained earnings are adjusted quarterly to take account of the profits/losses earned in the period together with any Solvency II valuation adjustments.

The payment of dividends is considered on an annual basis by the Board as part of its medium-term capital assessment. Potential dividends will be considered as part of the Company's ORSA process to ensure that the Company will continue to meet its solvency needs over the business planning period. No dividends were paid in 2021 (2020: nil).

Any other qualifying own fund item requires the review and approval of the Board. In such instances, the Board must ensure that the terms and conditions of any own fund item are clear and unambiguous in relation to the capital classification.

Own fund items at the end of reporting period and the prior year comparative period are as follows:

	2021	2020
	kGBP	kGBP
Ordinary paid up share capital	500	500
Deferred tax asset	-	7
Reconciliation reserve	36,908	34,759
Total basic own funds	37,408	35,266

Princemark Holdings Designated Activity Company

The movement in basic own funds reflects the increase in the reconciliation reserve which represents the Company's retained profits as adjusted for Solvency II valuation principles. The adjustments which arise in the application of these principles are shown in the equity reconciliation below.

At the end of the current reporting period eligible own funds available to meet the Company's SCR and MCR are £37.4m (2020: £35.3m) which is fully comprised of Tier 1 capital.

The equity position as shown in the Company's 2021 year-end financial statements can be reconciled to the basic own funds balance under Solvency II as follows:

	2021 kGBP
Equity per the Company's financial statements	35,870
Adjustments to technical provisions	1,579
Removal of reinsurance creditors	179
Deferred tax liability	(220)
Own funds (excess of assets over liabilities for solvency purposes)	37,408

Adjustments are made to technical provisions in line with the valuation methodologies set out in section D.2 above. This results in the removal of the reinsurance creditor balance as the future cash flows in relation to this item is dealt with as part of the calculation of technical provisions. Deferred tax is provided on these adjustments at the applicable tax rate. All adjustments are reflected in the Company's reconciliation reserve.

Princemark has no ancillary own funds and there are no transitional arrangements impacting its capital calculations.

E.2 Solvency capital requirement and minimum capital requirement

At the end of the current reporting year, Princemark's SCR and MCR have been calculated as £24.5m and £6.1m respectively (2020: £23.9m and £6m).

The SCR is intended to correspond to the capital the Company needs to hold in order to limit the probability of ruin, in the following 12 months, to 0.5%, i.e. ruin would occur less than once in every 200 years. The SCR calculated at the end of the current reporting period, relates to the capital required to support the business over the prospective 12 months; covering both existing liabilities and business written during 2021. Based on the Company's eligible own funds of £37.4m (2020: £35.3m) the Company has a solvency ratio at 31 December 2021 of 153% (2020: 148%).

The SCR has been calculated using the standard formula and without the application of any undertaking specific parameters. In the non-life risk module, the risk margin on technical provisions has been calculated using the second simplification provided in EIOPA's technical specifications. This is considered appropriate given the nature of the Company's business as a captive reinsurer.

The split of SCR by risk modules is shown below, together with the prior year comparative:

In kGBP	31-Dec-21	31-Dec-20	Variation	
Market Risk	13,224	11,488	1,736	15%
Interest Rate	1,190	788	402	51%
Spread	5,423	4,470	953	21%
Currency	205	524	(319)	(61%)
Concentration	11,968	10,475	1,493	14%
Default Risk	1,874	2,031	(157)	(8%)
Non-Life Risk	15,522	15,992	(470)	(3%)
Premium/Reserve	10,786	10,723	63	1%
Lapse	360	430	(70)	(16%)
CAT	8,781	9,474	(693)	(7%)
Diversification	(6,886)	(6,536)	(350)	5%
BSCR	23,734	22,975	759	3%
Adjustment for deferred taxes	(220)	-	(220)	(100%)
Operational Risk	972	911	61	7%
SCR	24,486	23,885	601	3%
MCR	6,122	5,971	151	3%
Eligible Own Funds	37,408	35,251	2,157	6%
Solvency Ratio	153%	148%	5%	3%

The market risk increased by £1.7m is as a result of the increase in the market value of the intercompany loan which increased from £39.2m to £45m during the year.

The non-life underwriting risk, which is the largest contributor to the SCR charge, decreased by £0.5m mainly due to a reduction in the catastrophe risk charge which is driven by the reduction in premium charged for the 2022 renewal.

The default risk decreased by £0.2m. This is mainly due to the decrease in cash held with Citibank between 2020 and 2021 with funds being moved to the intercompany loan.

The MCR is calculated through a prescribed formula based on the net technical provisions (excluding the risk margin) and net written premium. It is also constrained to be between 25% and 45% of the SCR. Further to this, SI 485 sets out absolute minimum MCR values for non-life and life insurers, reinsurers and captives. In the case of Princemark, as a non-life captive reinsurer this absolute floor is the Sterling equivalent of a fixed amount of EUR 1,200,000. Having carried out the calculations and applied the relevant limits, the resultant MCR for the Company is £6.1m (2020: £6m).

E.3 Use of duration-based equity risk sub module in calculation of the solvency capital requirement

There was no use of duration-based equity risk sub module in the calculation of the SCR.

E.4 Differences between the standard formula and any internal model used

Princemark used the Standard Model in determining the SCR and MCR and did not rely on any internal model.

E.5 Non-Compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

There are no instances of non-compliance with the MCR and SCR.

E.6 Any other information

When assessing the going concern of the Company, no events or conditions have been identified that may cast significant doubt on the Company's ability to continue as a going concern. In making this assessment the financial and solvency position and the surplus over its required solvency capital ratio and minimum capital ratio, the liquidity position, operational resilience, and legal and compliance risks have been considered.

The Board are continuing to monitor the COVID-19 pandemic, and its potential impact on the risk profile of the Company. Based on the current assessment of the risks posed at the time of approving this report, there are no identified issues with the Company's ability to maintain appropriate capital levels in line with its solvency needs.

<i>Note: Tables within this report contain minor rounding differences in certain instances due to amounts being displayed as whole numbers or in thousands while the source workings underlying the annual reporting templates are calculated to two decimal places. These differences are immaterial.</i>

ANNEX I – QUANTITATIVE REPORTING TEMPLATES

The following reporting templates are appended to this report:

S.02.01.02 – Balance sheet*

S.05.01.02 – Premiums, claims and expenses

S.05.02.01 - Premiums, claims and expenses by country

S.17.01.02 – Non-Life technical provisions*

S.19.01.21 – Claim development triangles*

S.23.01.01 – Own funds*

S.25.01.21 – SCR using standard formula*

S.28.01.01 – MCR*

*templates subject to external audit.

Amounts are in GBP'000 (kGBP).

Annex I
S.02.01.02

Balance sheet

	Solvency II value
	C0010
Assets	
Goodwill	R0010
Deferred acquisition costs	R0020
Intangible assets	R0030
Deferred tax assets	R0040
Pension benefit surplus	R0050
Property, plant & equipment held for own use	R0060
Investments (other than assets held for index-linked and unit-linked contracts)	R0070
Property (other than for own use)	R0080
Holdings in related undertakings, including participations	R0090
Equities	R0100
Equities - listed	R0110
Equities - unlisted	R0120
Bonds	R0130
Government Bonds	R0140
Corporate Bonds	R0150
Structured notes	R0160
Collateralised securities	R0170
Collective Investments Undertakings	R0180
Derivatives	R0190
Deposits other than cash equivalents	R0200
Other investments	R0210
Assets held for index-linked and unit-linked contracts	R0220
Loans and mortgages	R0230
Loans on policies	R0240
Loans and mortgages to individuals	R0250
Other loans and mortgages	R0260
Reinsurance recoverables from:	R0270
Non-life and health similar to non-life	R0280
Non-life excluding health	R0290
Health similar to non-life	R0300
Life and health similar to life, excluding health and index-linked and unit-linked	R0310
Health similar to life	R0320
Life excluding health and index-linked and unit-linked	R0330
Life index-linked and unit-linked	R0340
Deposits to cedants	R0350
Insurance and intermediaries receivables	R0360
Reinsurance receivables	R0370
Receivables (trade, not insurance)	R0380
Own shares (held directly)	R0390
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400
Cash and cash equivalents	R0410
Any other assets, not elsewhere shown	R0420
Total assets	R0500

S.02.01.02**Balance sheet****Liabilities**

Technical provisions – non-life
Technical provisions – non-life (excluding health)
Technical provisions calculated as a whole
Best Estimate
Risk margin
Technical provisions - health (similar to non-life)
Technical provisions calculated as a whole
Best Estimate
Risk margin
Technical provisions - life (excluding index-linked and unit-linked)
Technical provisions - health (similar to life)
Technical provisions calculated as a whole
Best Estimate
Risk margin
Technical provisions – life (excluding health and index-linked and unit-linked)
Technical provisions calculated as a whole
Best Estimate
Risk margin
Technical provisions – index-linked and unit-linked
Technical provisions calculated as a whole
Best Estimate
Risk margin
Other technical provisions
Contingent liabilities
Provisions other than technical provisions
Pension benefit obligations
Deposits from reinsurers
Deferred tax liabilities
Derivatives
Debts owed to credit institutions
Financial liabilities other than debts owed to credit institutions
Insurance & intermediaries payables
Reinsurance payables
Payables (trade, not insurance)
Subordinated liabilities
Subordinated liabilities not in Basic Own Funds
Subordinated liabilities in Basic Own Funds
Any other liabilities, not elsewhere shown
Total liabilities
Excess of assets over liabilities

R0510	34,899
R0520	34,899
R0530	
R0540	32,412
R0550	2,487
R0560	-
R0570	
R0580	
R0590	
R0600	-
R0610	-
R0620	
R0630	
R0640	
R0650	-
R0660	
R0670	
R0680	
R0690	
R0700	
R0710	
R0720	
R0730	
R0740	
R0750	
R0760	
R0770	
R0780	220
R0790	
R0800	
R0810	
R0820	
R0830	
R0840	162
R0850	
R0860	
R0870	
R0880	288
R0900	35,569
R1000	37,408

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Premiums written										
Gross - Direct Business	R0110									
Gross - Proportional reinsurance accepted	R0120						229	2,990	7,154	
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140									
Net	R0200						229	2,990	7,154	
Premiums earned										
Gross - Direct Business	R0210									
Gross - Proportional reinsurance accepted	R0220						229	2,990	7,154	
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240									
Net	R0300						229	2,990	7,154	
Claims incurred										
Gross - Direct Business	R0310									
Gross - Proportional reinsurance accepted	R0320				59		(35)	4,570	6,212	
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340									
Net	R0400				59		(35)	4,570	6,212	
Changes in other technical provisions										
Gross - Direct Business	R0410									
Gross - Proportional reinsurance accepted	R0420									
Gross - Non-proportional reinsurance accepted	R0430									
Reinsurers' share	R0440									
Net	R0500									
Expenses incurred	R0550						12	157	375	
Other expenses	R1200									
Total expenses	R1300									

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	
Premiums written									
Gross - Direct Business	R0110								
Gross - Proportional reinsurance accepted	R0120			1,200					11,573
Gross - Non-proportional reinsurance accepted	R0130								-
Reinsurers' share	R0140								-
Net	R0200			1,200					11,573
Premiums earned									
Gross - Direct Business	R0210								
Gross - Proportional reinsurance accepted	R0220			1,200					11,573
Gross - Non-proportional reinsurance accepted	R0230								-
Reinsurers' share	R0240								-
Net	R0300			1,200					11,573
Claims incurred									
Gross - Direct Business	R0310								
Gross - Proportional reinsurance accepted	R0320			209					11,015
Gross - Non-proportional reinsurance accepted	R0330								-
Reinsurers' share	R0340								
Net	R0400			209					11,015
Changes in other technical provisions									
Gross - Direct Business	R0410								
Gross - Proportional reinsurance accepted	R0420								
Gross - Non-proportional reinsurance accepted	R0430								
Reinsurers' share	R0440								
Net	R0500								
Expenses incurred	R0550			63					607
Other expenses	R1200								
Total expenses	R1300								607

		Line of Business for: life insurance obligations					Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280
C0300									
Premiums written									
Gross	R1410								
Reinsurers' share	R1420								
Net	R1500								
Premiums earned									
Gross	R1510								
Reinsurers' share	R1520								
Net	R1600								
Claims incurred									
Gross	R1610								
Reinsurers' share	R1620								
Net	R1700								
Changes in other technical provisions									
Gross	R1710								
Reinsurers' share	R1720								
Net	R1800								
Expenses incurred	R1900								
Other expenses	R2500								
Total expenses	R2600								

S.05.02.01

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		IT	FR				
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410							-
Reinsurers' share	R1420							-
Net	R1500		-	-				-
Premiums earned								
Gross	R1510							-
Reinsurers' share	R1520			-				-
Net	R1600		-	-				-
Claims incurred								
Gross	R1610							-
Reinsurers' share	R1620							-
Net	R1700		-	-				-
Changes in other technical provisions								
Gross	R1710							-
Reinsurers' share	R1720							-
Net	R1800							-
Expenses incurred	R1900							-
Other expenses	R2500							-
Total expenses	R2600							-

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		~~R1400~~	~~IT~~	~~FR~~				<del></del>
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410							-
Reinsurers' share	R1420							-
Net	R1500		-	-				-
Premiums earned								
Gross	R1510							-
Reinsurers' share	R1520		-					-
Net	R1600		-	-				-
Claims incurred								
Gross	R1610							-
Reinsurers' share	R1620							-
Net	R1700		-	-				-
Changes in other technical provisions								
Gross	R1710							-
Reinsurers' share	R1720							-
Net	R1800							-
Expenses incurred	R1900							-
Other expenses	R2500	<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	-
Total expenses	R2600	<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	-

Annex I
S.17.01.02
Non-life Technical Provisions

Direct business and accepted proportional reinsurance							
Medical expense insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	Total Non-Life obligation
C0020	C0050	C0060	C0070	C0080	C0090	C0130	C0180
Technical provisions calculated as a whole	R0010						
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	R0050						
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	R0060		82	(838)	548	(62)	(270)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140						-
Net Best Estimate of Premium Provisions	R0150		82	(838)	548	(62)	(270)
Claims provisions							
Gross	R0160	146	384	5,365	21,508	5,279	32,682
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240						-
Net Best Estimate of Claims Provisions	R0250	146	384	5,365	21,508	5,279	32,682
Total Best estimate - gross	R0260	146	466	4,527	22,056	5,217	32,412
Total Best estimate - net	R0270	146	466	4,527	22,056	5,217	32,412
Risk margin	R0280	8	34	470	1,611	364	2,487
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0290						-
Best estimate	R0300						-
Risk margin	R0310						-
Technical provisions - total							
Technical provisions - total	R0320	154	500	4,997	23,667	5,581	34,899
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330						-
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	154	500	4,997	23,667	5,581	34,899

Total Non-Life Business

Gross Claims Paid (non-cumulative)

Gross undiscounted Best Estimate Claims Provisions

Development year													Year end (discounted data)
Year	0	1	2	3	4	5	6	7	8	9	10 & +		
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
Prior	~~R0100~~	<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	727	R0100	707
N-9	R0160	-	-	-	-	4,083	2,782	1,403	496	334	193	R0160	188
N-8	R0170	-	-	-	4,350	3,121	1,140	944	627	412		R0170	403
N-7	R0180	-	-	4,793	3,715	2,328	1,045	949	759			R0180	738
N-6	R0190	-	7,962	5,700	3,156	2,126	1,484	1,271				R0190	1,237
N-5	R0200	8,596	7,078	2,831	2,674	2,466	2,108					R0200	2,049
N-4	R0210	9,897	5,100	3,888	2,022	1,821						R0210	1,770
N-3	R0220	19,604	6,652	1,617	2,324							R0220	2,261
N-2	R0230	15,004	6,956	3,792								R0230	3,690
N-1	R0240	12,546	8,314									R0240	8,155
N	R0250	11,694										R0250	11,484
Total												R0260	32,682

Annex I
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

Ordinary share capital (gross of own shares)
Share premium account related to ordinary share capital
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
Subordinated mutual member accounts
Surplus funds
Preference shares
Share premium account related to preference shares
Reconciliation reserve
Subordinated liabilities
An amount equal to the value of net deferred tax assets
Other own fund items approved by the supervisory authority as basic own funds not specified above

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

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

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand

Unpaid and uncalled preference shares callable on demand
A legally binding commitment to subscribe and pay for subordinated liabilities on demand
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
Letters of credit and guarantees other than under Article 96(2) of the Directive
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR

Total available own funds to meet the MCR

Total eligible own funds to meet the SCR

Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

Excess of assets over liabilities

Own shares (held directly and indirectly)

Foreseeable dividends, distributions and charges

Other basic own fund items

Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

Expected profits included in future premiums (EPIFP) - Life business

Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	500	500			
R0030	-				
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	36,908	36,908			
R0140					
R0160	-				
R0180					
R0220					
R0230					
R0290	37,408	37,408			-
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	37,408	37,408			-
R0510	37,408	37,408			
R0540	37,408	37,408			-
R0550	37,408	37,408			
R0580	24,486				
R0600	6,122				
R0620	1.53				
R0640	6.11				
C0060					
R0700	37,408				
R0710					
R0720					
R0730	500				
R0740					
R0760	36,908				
R0770					
R0780	270				
R0790	270				

Annex I

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

Market risk

Counterparty default risk

Life underwriting risk

Health underwriting risk

Non-life underwriting risk

Diversification

Intangible asset risk

Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

Operational risk

Loss-absorbing capacity of technical provisions

Loss-absorbing capacity of deferred taxes

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement

Other information on SCR

Capital requirement for duration-based equity risk sub-module

Total amount of Notional Solvency Capital Requirement for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
R0010	13,221		
R0020	1,874		
R0030			
R0040			
R0050	15,522		
R0060	(6,883)		
R0070			
R0100	23,734		

	C0100
R0130	972
R0140	
R0150	(220)
R0160	
R0200	24,486
R0210	
R0220	24,486
R0400	
R0410	
R0420	
R0430	
R0440	

Annex I

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

MCR _{NL} Result		C0010
	R0010	5,068

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	
	C0020	C0030	
Medical expense insurance and proportional reinsurance	R0020	-	-
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	146	
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070	466	229
Fire and other damage to property insurance and proportional reinsurance	R0080	4,527	2,990
General liability insurance and proportional reinsurance	R0090	22,056	7,154
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	5,217	1,200
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170	-	-

Linear formula component for life insurance and reinsurance obligations

Linear formula component for life insurance and reinsurance obligations

MCR _L Result	C0040	
	R0200	-

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

Overall MCR calculation

	C0070	
Linear MCR	R0300	5,068
SCR	R0310	24,486
MCR cap	R0320	11,019
MCR floor	R0330	6,122
Combined MCR	R0340	6,122
Absolute floor of the MCR	R0350	1,008
	C0070	
Minimum Capital Requirement	R0400	6,122