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# Solvency & Financial Condition Report

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**R&Q Gamma Company  
Limited**

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In respect of the reporting  
period ended  
31 December 2022

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### Summary

This Solvency and Financial Condition Report has been prepared for R&Q Gamma Company Limited (“the Company” or “Gamma”) in order to satisfy the requirements of Article 290 of the Commission Delegated Regulation 2015/35. It refers to the financial year ended on 31 December 2022. The Company forms part of the R&Q Insurance Holdings Ltd. Group (“the Group”).

The Company was formerly named Royal London General Insurance Limited (“RLGI”) and was acquired by the Group on 29 December 2016.

RLGI was established in December 1983 and underwrote General Insurance until it ceased accepting new business in 1999 and went into run-off. Since that date one of the key objectives of the Company has been to secure an orderly run-off of the remaining claims, through appropriate and prudent investment strategy and cash management principles.

In 2017 the Company was identified as the most appropriate within the R&Q Group as a UK consolidating vehicle and the proposed recipient of portfolios of UK business. The Company successfully completed three loss portfolio transfers prior to the reporting period with the business of the Solicitors Indemnity Mutual Insurance Association Limited (“SIMIA”) transferred in September 2018, the US Liability business of Anglo-French Insurance Company Limited (“Anglo French”) transferred from SCOR UK Company Limited in March 2020 and with the UK & US (non-EEA) Operational Disease liabilities of The United Kingdom Mutual Steam Ship Association (Europe) Limited / UK PI Club N.V (“UK PI Club”). All three transfers were pursuant to the Part VII of the Financial Services Act 2000 (“Part VII”)

The UK PI Club was previously reinsured by R&Q’s Malta entity, Accredited Insurance Europe Limited (“AIEL”), which has continued to provide reinsurance through a high-level Adverse Development Cover to the Company.

Following a £13.5m loss for the 2022 financial year (2021 £12.8m profit) the Company’s Net Assets have decreased by 25% to £41.7m. The opening Gross outstanding claims have fallen 2.0% to £41.5m (2021: £5.5m). The primary driver for the loss for the year was the movement in market value of investments held. During the year £11.2m of the overall £13.9m loss was due to unrealised market value movements of investment assets held, reflecting the impact of Bank of England base rate changes in 2022 on variable and fixed interest securities.

The Company has been in full compliance of its capital requirements since the introduction of the Solvency II regime on 1 January 2016. The Company’s SCR surplus at the reporting date was £10.5m (2021: £12.2m). The Company expects to remain in compliance.

Available cash and investments at 31 December 2022 stand at £75.4m (2021: £91.5m) a decrease of 17.6%, this gives liquidity coverage over the net outstanding claims reserve of 182% (2021: 214%). This includes funds loaned to the Parent Company that generate income based on the EIOPA risk-free rate with volatility adjustment, fixed for the term of the 12-month loan.

### A. Business & Performance Review

#### A1. Business

Name and legal form of Company

**Name of Company:** R&Q Gamma Company Limited  
**Legal Form:** Limited Liability Company  
**FRN:** 202793  
**Registered in:** England & Wales  
**Registered Office:** 71 Fenchurch Street, London EC3M 4BS  
**Registered No.:** 01335239

**The Host State Supervisory Authority (NSA) is:**

Prudential Regulation Authority

**The Group Supervisory Authority is:**

Bermuda Monetary Authority

**The contact details are as follows:**

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Tel: +1 (441) 295 5278

Fax: +1 (441) 292 7471

**Name and contact details of Auditors:**

PKF Littlejohn LLP  
15 Westferry Circus  
Canary Wharf  
London  
E14 4HD

Telephone: +44 207 516 2200

R&Q Gamma's group structure is shown below:



### A2. Underwriting Performance

The reported Gross Technical Provisions ("TPs") as at 31 December are £41.5m and include £1.2m of SIMIA Professional Indemnity ("PI") reserves, £3.5m of Anglo French US Liability ("US Liability") reserves and £36.0m of Operational Disease liabilities / Worker's Compensation ("WC") reserves transferred under the UK P&I Club Part VII, with the remainder in respect Employer Liability ("EL") and Public Liability ("PL") exposures only. The Gross TP's are further summarised in the table below.

Class	Gross TP's - £000S
PL	738
EL	21
US APH	3,473
PI	1,258
WC	36,036
<b>Total</b>	<b>41,526</b>

The Company has limited remaining active Outwards Reinsurance with £2k applicable at 31 December 2022.

The UK P&I Club exposure is in respect of historical liabilities relating to workers on ships and in ports that were exposed to asbestos and other cancer inducing substances and to hearing loss.

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A technical loss of £3.5m (2021: profit £16.8m) was reported for the 12 months to 31 December 2022.

Year ended 31.12.2022 - £000s	EL [Workers' Comp]	PL [Gen Liability]	PI [Professional Indemnity]	US APH [Gen]	UK P&I (Workers' Com)	Total
Other Technical (charges)/income	0	0	(17)	(115)	(1,062)	(1,194)
Claims paid, net of reinsurance	(6)	(139)	(17)	(330)	(2,403)	(2,896)
Net change in provisions for claims	-	(92)	(264)	318	2,578	2,540
<b>Net incurred claims</b>	<b>(6)</b>	<b>(231)</b>	<b>(281)</b>	<b>(12)</b>	<b>175</b>	<b>(355)</b>
Operating expenses	(1)	(36)	(61)	(168)	(1,741)	(2,006)
<b>Balance on Technical Account</b>	<b>(7)</b>	<b>(267)</b>	<b>(359)</b>	<b>(295)</b>	<b>(2,628)</b>	<b>(3,555)</b>

Year ended 31.12.2021 - £000s	EL [Workers' Comp]	PL [Gen Liability]	PI [Professional Indemnity]	US APH [Gen]	UK P&I (Workers' Com)	Total
Other Technical (charges)/income	0	0	0	0	17,812	17,812
Claims paid, net of reinsurance	(6)	(31)	(31)	(301)	0	(369)
Net change in provisions for claims	13	(299)	301	752	0	767
<b>Net incurred claims</b>	<b>7</b>	<b>(330)</b>	<b>270</b>	<b>451</b>	<b>0</b>	<b>398</b>
Operating expenses	(6)	(181)	(280)	(988)	0	(1,454)
<b>Balance on Technical Account</b>	<b>1</b>	<b>(511)</b>	<b>(10)</b>	<b>(537)</b>	<b>17,812</b>	<b>16,756</b>

Reserves for claims which are incurred but not reported are established based on an actuarial valuation that takes into consideration a number of factors including industry trends, current legal environment and geographical considerations.

During 2022, the Company strengthened reserves by £(0.4)m with negative development on PI and PL exposures partially offset by positive activity on the EL UK P&I portfolio. A net reserve release of £0.4m was identified in the previous year, 2021.

Also included in the technical result is a £(1.2)m release of the intangible asset in respect of previously completed transactions (£(1.1)m UK P&I).

### A3. Investment Performance

The Company's Investment Strategy covers the following:

- Invest primarily in marketable, investment grade-rated, short- and intermediate-term securities. Minimal investment will be made in fixed-rate long-term maturities.

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- Adjust asset allocation mix and fixed-income sector weightings consistent with the outlook for markets, business conditions and corporate profitability.
- Limit over-concentration of assets in individual issuers.
- Exclude investments in: commodities, futures contracts, options or venture capital, except as specifically approved in writing by the Company or in the form of a structured note.

The Company also invests in intra-Group loans, the principle terms of which include:

- A maximum term of 12 months and repayable on demand.
- A market rate interest rate applies.
- Parent Company notional credit rating assessed as “A-“ by A.M. Best with a stable outlook. Standard notching for a non-operating holding company is applied by A.M. Best to arrive at a published Issuer Credit Rating of “bbb-“ with a stable outlook.

The Company’s investment portfolio can be analysed as follows:

Investments & Cash	2022	2021
	£000s	£000s
Shares and other variable yield securities	60,240	83,820
Equity Investments	-	-
Loans to Group	14,684	4,283
Cash and cash equivalents	438	3,198
<b>Total</b>	<b>75,363</b>	<b>91,301</b>

The Company reported an investment loss of £(10,018)k for the period under review, a substantial increase compared a loss of £(881)k to previous year. The breakdown is as follows:

Investment Income	2022	2021
	£000s	£000s
Balance on technical account	(3,555)	16,756
Investment income	2,244	121
Realised gain / (loss) on Investments	(981)	345
Investment expenses and charges	(69)	(16)
Unrealised gain / (losses) on investments	(11,212)	(1,331)
<b>Total Investment Income</b>	<b>(10,018)</b>	<b>(881)</b>

The Company enjoys a steady interest income flow on funds invested within the Group resulting in interest income of £698k (2021 - £58k).

All investment returns are recognised in the profit and loss account. The Company had no investments in any securitisations.



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### **A4. Performance of Other Activities**

Nothing additional to report.

### **A5. Any Other Information**

None.

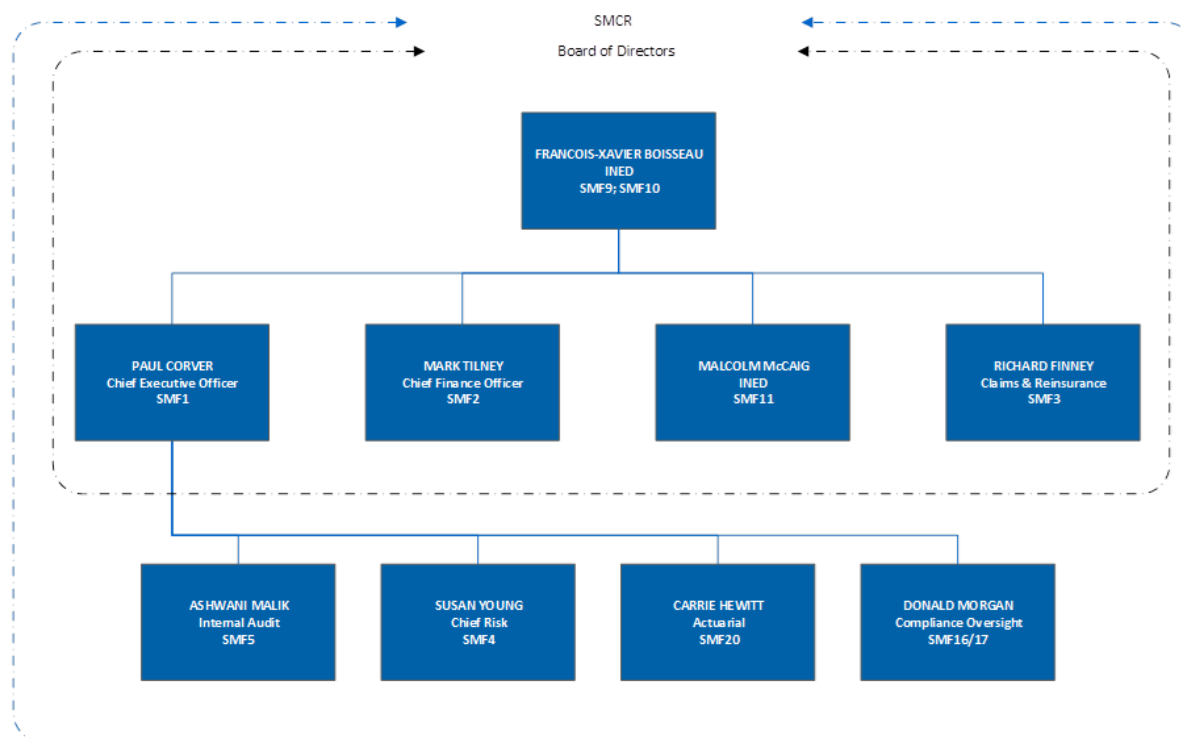
## B. System of Governance

### B1. General Information

The Board of Directors recognises that it needs to be able to demonstrate that it has a System of Governance which meets its regulatory expectations and is proportionate to the nature of the business, complies with existing requirements and is flexible enough to be able to adapt to changes in the regulatory and statutory environment. The System of Governance is regularly reviewed and assessed to ensure it is appropriate given the nature, scale, and complexity of the risks inherent to the Company.

The R&Q Group ("the Group") has adopted a Group System of Governance which provides the framework and guidelines within which the Company, a subsidiary solo entity within the Group, operates in the context of the Group structure, whilst meeting its own regulatory requirements on a stand-alone basis.

The Organisation Structure of the Company as at 31 December 2022 is as follows:



#### Board of Directors:

F-X Boisseau	Non-Executive Chairman (Chair of Risk and Compliance Committee)
M McCaig	Non-Executive Director (Chair of Audit Committee)
PR Corver	Chief Executive Officer
GD Jarvis	Chief Financial Officer (Resigned 16 September 2022)
MJ Tilney	Chief Financial Officer (from 17 September 2022, FCA approval on 9 January 2023)
RJ Finney	Executive Director

Company Secretary: R&Q Central Services Limited

The Board meets quarterly and on an ad hoc basis. The key functions of the Board which is governed by its Terms of Reference are: Business Strategy; Business Plan; Culture; Risk Appetite; Investment Strategy; Company Policy Approval; Reserved Matters; to consider the status reports and proposals presented by Board Committees.

The Board is supported by two Board appointed committees:

- **Risk and Compliance Committee**

This Committee is composed of Francois Boisseau (Chair) and Malcolm McCaig (INED), with reportees from Risk Management, Compliance and others as required. The Committee meets on a quarterly basis at least 1 week before the Board meeting.

The key functions of the Committee are to oversee the management of Risk, in accordance with Risk Appetite; Monitor the effectiveness of the Risk Management framework; Review risks inherent within Business Plan and adequacy of mitigation controls; Oversight of Emerging Risks; ORSA approval; Approval of the annual Compliance Plan; Monitor the level of compliance with Company Policy, law & regulations and oversee the actions taken to address non-compliance.

- **Audit Committee**

This Committee is composed of Malcolm McCaig (Chair), Francois Boisseau (INED), with reportees from Internal Audit, External Audit, CFO and others as required. The Committee meets on a quarterly basis at least 1 week before the Board meeting.

The key functions of the Committee are to oversee the actions and judgements of management in relation to the Company's financial statements and operating and financial reviews (including significant accounting policies and practices, significant financial reporting issues, estimates and decisions requiring a major element of judgement, and the extent to which the financial statements are affected by any significant or unusual transactions in the period and how they are disclosed); Approval of the annual Internal Audit Plan; Monitoring of remedial actions taken to address matters identified by Internal Audit; oversight of whistleblowing procedure and case resolution.

The Board of the Company is responsible for the oversight and governance of the run-off throughout the remaining period of the policies. No director has a conflict in acting as a director of the Company. The Board has also aligned the Company to the requirements of the Senior Managers and Certification Regime ("SMCR").

The Company is managed by its Board of Directors. The day-to-day management of the business is the responsibility of the CEO. To the extent functions are intragroup outsourced from Group Companies, the CEO has overall responsibility for oversight and monitoring of the outsourced functions.

### **Changes in the System of Governance.**

No significant changes in the system of governance, including the risk management system, occurred during the year under review.

### **Remuneration**

Remuneration sits under the oversight of the Group Remuneration Committee. The Company is committed to ensuring that its practices promote the achievement of the overall aims and objectives of the Company, its financial stability and its risk management framework.

Independent Non-Executive Directors are remunerated on a fixed fee basis only, which is based on experience, responsibilities, and level of time commitment.

### **B2. Fit and Proper Requirements**

The Directors and Executive Management of the Group and its subsidiaries:

- Are professionally competent and capable to carry out their responsibilities and have demonstrated this through their experience and training.
- Are of sound moral character, behaviour, and conduct.

Assessments of fitness and propriety are carried out on an annual basis for Board members and key members of staff. Training needs and skills gaps are identified and addressed.

The Board ensures that the members collectively possess appropriate qualifications, experience, and knowledge about (as a minimum):

- Insurance
- Business strategy and business models
- Systems of Governance
- Financial and actuarial analysis
- Regulatory framework and requirements

The assessment of the management and technical competence of an individual is based on their previous experience, knowledge, and professional standing, which demonstrates due skill, care, diligence, and compliance with the relevant standards of the area/sector they have worked in by reference to the relevant role description.

The assessment of reputation includes checks as to whether there are any reasons to believe, from past conduct, that an individual may not discharge their duties in line with applicable rules, regulations, and guidelines. Assessment is initially made prior to appointment to their role but is reassessed on a regular basis.

For each new regulated role, the company determines the skill sets and expertise required, and then assesses how these requirements are met through a gap analysis against the attributes of the individual candidates. A view is then taken on the overall suitability of the candidate and, to the extent there are perceived shortfalls, the suitability and timing of available training.

The continuing suitability of key roles is assessed annually after initial appointment in relation to the regulated entities. Any training needs are identified and addressed as part of this process.

### B3. Risk Management Framework including Own Risk and Solvency Assessment

The Company's risk management framework seeks to support its business strategies; enabling it to select those risks that can enhance value creation, closely manage those risks that are unrewarded; optimise and protect its capital base; support decision making and protect its reputation and brand.

The Board ensures that the business implements risk policies, delivers the business plan within risk appetite and manages the Company's risk profile.

This is achieved through a combination of quantitative and qualitative risk management, realised through a mature risk culture, effective risk governance and risk transparency.

#### Risk Management strategies and processes

The Company adopts the Group's risk management framework which forms an integral part of the management and Board processes. This framework enables the Board to draw assurance that the risks to which the Company may be exposed to, are being appropriately identified and managed within its risk appetite, and that any risks that may present significant financial loss or damage to the Company's reputation are being minimised. This helps to ensure that the achievement of the Company's performance and objectives is not undermined by unexpected events.

#### Risk Governance and Culture

To achieve the Company's mission and goals, there is a strong 'tone at the top' that emphasises the importance of effective risk management, with operational management accountable for embedding risk in their own areas. The Group continues to adopt the "three lines of defence" governance model, both at Group and Company level, of which the risk management function forms part of. This is illustrated and explained below:



#### First Line of Defence

The first line of defence has primary decision-making authority at the "coalface", and accordingly its focus is as follows:

- Operational decision making to execute and implement the Company's strategic objectives.
- Facilitation and oversight of the Company's business plan, including delivery against predetermined goals.
- Day to day management of business activities.
- Management of the risk profile of the business, in line with Board and stakeholder expectations.

The first line of defence includes the Board. In this context, the Board has ultimate accountability for risk management, the related control environment and for approving and reviewing any relevant risk policies, including risk appetite frameworks. In practice, responsibility is devolved to the relevant executive/functional committees, the Company's Risk and Compliance Committee and Board.

Risk owners retain overall responsibility for managing the risks for which they are the designated owner, including those risks where some or all of the controls in place have a separate control owner (i.e. the operation of the control is in the charge of another manager).

### **Second Line of Defence**

The second line of defence provides a key input into tactical and strategic decision making, and its overall focus is on the following:

- Provision of assurance to the Board that the risk profile, as represented in the Company's risk register or otherwise, and the associated internal control framework is in line with Board and stakeholder expectations. Where it is not, appropriate actions with owners and timescales are proposed to bring it back into line with those expectations.
- Escalation of all material risk issues to the Risk and Compliance Committee and further to the Board, and where appropriate, the Group Risk & Compliance Committee and RQIH Board.
- Provision of input, challenge and oversight of first line decision making where appropriate, i.e. the input of risk and capital information to aid effective decisions.

### **Third Line of Defence**

The third line of defence provides independent assurance and challenge across all business functions in respect of the integrity and effectiveness of both the risk management and internal control system.

The internal audit function is sourced in house within the Group and supplemented with third party professional resources as and when appropriate. It is responsible for independently assessing the effectiveness of the risk management processes and practices and for providing timely objective assurance on the control of risk.

Internal audit activity is carried out in accordance with an annual pre agreed audit plan.

### **Risk Transparency**

Underpinning the three lines of defence is risk transparency within the Group. This involves raising awareness and understanding of risk across the Company and Group, effective reporting of risk internally and appropriate disclosure of risks to all interested stakeholders, internal and external.

### **Risk Appetite Framework**

The Board recognises that a well-defined risk appetite supports the business decision making and planning. The Board reviews and sets the risk appetite at least annually, and when there is a significant change in business strategy. Key risk indicators which support the risk appetite statements are monitored and reported on quarterly.

The risk appetite framework sets the boundaries within which risk taking should remain in order to meet the expectations of the capital providers and other stakeholders. For Gamma, this is articulated via a series of quantitative and qualitative statements covering all categories in the risk universe (see section '**Risk & Control Management Process**').

### **Risk Policies**

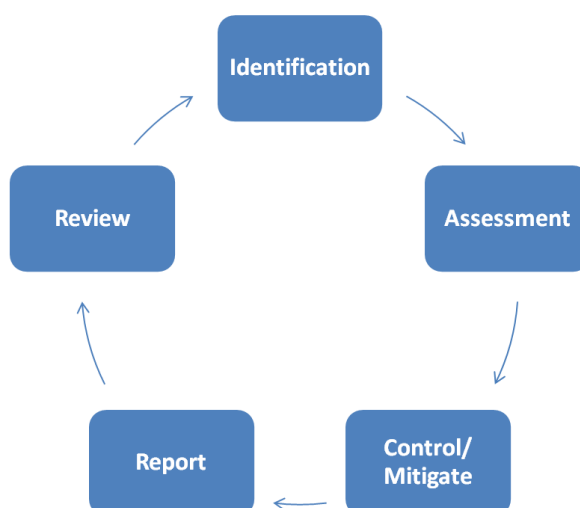
The Company adopts the Group's risk policy structure, tailoring them in regard to regulatory requirements, the Company's risk profile and the principles of proportionality. The Company's risk policies determine the way in which risks are to be managed and controlled. The Board ensures that the policies are reviewed regularly, at least annually, to reflect the changing business and regulatory environment.

The risk management function together with the respective business owners, Risk and Compliance Committee and Board, considers the applicability and magnitude of the respective risk to the Company when deciding whether a specific policy is required. This assessment process takes in to account the Company's business profile and the local market and regulatory environment context.

### **Risk & Control Management Process**

A key element of effective risk management is to ensure that the business has a complete understanding of the risks it faces.

The following diagram shows the risk management cycle, demonstrating the iterative nature of the risk management process, and is followed by a high-level explanation of the key steps and processes involved.



The identification, assessment, control/mitigation and monitoring of risk are continuous processes.

### **Risk Identification (new and emerging risks)**

Risk identification seeks to identify those risks that may prevent the achievement of business objectives. The risk identification step also determines possible causes, potential consequences and opportunities.

The Company is responsible for identifying risks to its business objectives and to periodically highlight any new risks that may be developing over time, or changes in existing risk levels such that they are reported and responded to appropriately.

Each risk, where appropriate, is assigned a risk and a delegated risk owner. Respective roles and responsibilities of risk owners and delegated risk owners are outlined later in this document

All identified risks are recorded on the risk register which record the likelihood of occurrence, the expected impact and the controls and mitigations. The risk register is a 'live' document and is updated each time a risk/mitigant/control is identified or changed.

### **Risk Assessment and Quantification**

Following on is the assessment of the likely frequency and severity of risks, by means of qualitative or quantitative measurement. This stage of the cycle involves the participation of the risk owners and delegated risk owners.

### **Risk Control and Mitigation**

The level of each risk must then be managed or controlled down to a satisfactory level. This stage will not only involve both risk and control owners but also many other Group functions that are involved in undertaking control activities.

### **Reporting**

It is critical that the relevant information for each key risk is seen by the "right people at the right time" across both the Company and Group. This information is most likely to be provided by risk and control owners as they are closest to the issues and is reported on a regular, timely and consistent



basis. Reporting is consolidated and/or reviewed by the Group's risk management function and then escalated up to senior management, the Risk and Compliance Committee and the Board.

### **Regular Reporting**

Routine risk reporting consists of summary reports to the Risk and Compliance Committee and the Board. This contains summary information on changes to the risk profile any significant issues arising out of the risk workshop process, any new emerging risks, and significant risk management activity during the period under review and any movement in KRIs.

### **Review**

Once the key business risks have been identified, assessed and are subject to controls throughout various parts of the business, it is important to review that these control/mitigation activities are operating effectively and that the risk and control scoring is valid. Assurance is provided over risks and controls by resources which are independent of line management, e.g., Group's risk management or internal audit functions and local entity Risk and Compliance Committees and/or Boards.

### **Emerging Risks**

The Company identifies its emerging risks as part of its ORSA process as well as participating in the Group's Emerging Risk Focus Group facilitated by the risk management function. This is a multi-disciplinary focus group which meets tri-annually to identify, assess and monitor emerging risks. Consideration is not only given to new emerging risks and issues, but also to emerging elements of existing risks. Identified risks are then reviewed by the focus Group and developments are monitored via the emerging risks heatmap and are reported to the appropriate risk committee.

Environmental, Social, and Governance ("ESG") risks are considered as part of the emerging risk framework and as part of the work done by the Group ESG forum as well as the work carried out to meet the requirements of the Task Force on Climate-related Financial Disclosures.

### **Stress and Scenario Testing**

The Company undertakes stress and scenario testing (including reverse stress testing) periodically, having regard to the likely impact on the organisation at varying return periods. The aim is to gain a better understanding of the risks faced by the Company.

The results from stress and scenario tests provide an important input to the Own Risk Solvency Assessment processes and the validation of the Company's regulatory capital.

### **Own Risk and Solvency Assessment ("ORSA")**

The ORSA process is owned by the Board (delegated to the Risk and Compliance Committee). An ORSA Report is provided to the Risk and Compliance Committee and Board, at least annually, and more frequently if circumstances dictate, to support its oversight and management of the identified risks of the company.

The ORSA process is fundamentally a continuous, embedded, forward-looking process, requiring the assessment of the entity's needs over a longer time planning horizon than the solvency capital

requirement (“SCR”). The ORSA planning horizon is required to be three to five years. Furthermore, the ORSA is required to look at a range of outcomes in addition to the 1-in-200 return period.

### **How the ORSA is reviewed and approved**

The ORSA process is owned, steered and challenged by the Board through the review and approval of those individual processes and outputs that underpin it. The primary elements of the capital & solvency assessment are core to the consideration in the growth of the legacy business and new portfolio transfers and are required by both the Board and the regulator prior to approval of same.

### **B4. Internal Control System**

The Company has an Internal Control Framework for the identification, measurement, management, and monitoring of internal controls. An effective Internal Control system is fundamental to the successful operation and day-to-day running of the Group’s business, particularly as its activities expand. All staff continue to be made aware of their role within the Internal Control System.

The Company is committed to operating an effective Internal Control system with the following objectives:

- Effective and efficient operations
- Available & reliable financial and non-financial reporting
- Compliance with relevant legislation and regulations

### **Linkage with Risk Management Framework**

The Internal Control Framework is linked with the Risk Management framework through each Risk in the Risk Register being allocated a series of mitigating controls, to bring the overall risk ratings to a level which are acceptable to the organisation, i.e. are within Risk Appetite and Tolerance limits.

In addition, as the third line of defence, Group Internal Audit provides independent assurance over whether the Group’s risk management, compliance, and internal control processes are suitably designed and operating effectively.

### **Review of On-Going Appropriateness**

The Internal Control Framework, along with the Risk Management Framework, is reviewed at least annually by the Risk and Compliance Committee.

### **Operating Policies and Procedures**

The Company has a comprehensive suite of Policy and Procedural documentation for each of its functional areas. The Governance function owns these documents and is responsible for reviewing these regularly (at least annually and/or whenever there is a material change, if this occurs within the year).

### **B5. Internal Audit Function**

The Company is serviced by a Group Internal Audit (“GIA”) function that provides independent assurance to the Audit Committee and Management that the organisation’s risk management processes and control framework are operating effectively and efficiently, and that there is compliance with the relevant policies and procedures. In this regard GIA liaises with the Compliance and Risk Management Functions.

#### **Authority**

GIA, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any of the Group’s records, physical properties, and personnel pertinent to carrying out any assignment.

All employees are required to assist GIA in fulfilling its roles and responsibilities, and to engage openly and constructively with GIA and disclose information relevant to their work.

The Head of Internal Audit (“HIA”) also has the right to attend and observe all or part of Executive Committee meetings and any other key management decision making forums (as may be required from time to time). In the event management is uncomfortable with GIA’s access to certain documents requested, the HIA must bring such matters to the attention of the Chairman of the Company’s Audit Committee, to assist with the information being released.

#### **Reporting Lines**

The primary reporting line for the HIA is to the Chair of the Company’s Audit Committee. The Audit Committee is responsible for the appointment and removal of the HIA.

#### **The HIA:**

- Communicates and interacts directly with the Audit Committee and has direct access to its Chair and members in between Audit Committee meetings;
- Has the right of access to the Company’s Chair and to any of its directors; and
- Has the responsibility to report promptly any significant issues to the Company’s Audit Committee and has direct access to the Chairs of the Group’s Board and Audit Committee.

All internal auditors have an exclusive reporting line through to the HIA.

#### **Independence**

GIA is independent of the Company’s other functions, including those responsible for risk, compliance, governance and finance. All other functions may be subject to audit. GIA will therefore neither be responsible for, nor part of, Risk Management, Governance, Compliance or the Finance function, nor perform any function that is the responsibility of management.

The HIA will confirm to the Company’s Audit Committee, at least annually, the organisational independence of GIA.

GIA has a process for managing and reporting conflicts of interest and there are safeguards to limit any impairment to independence or objectivity.

GIA is a Group function. As such, no member of GIA is employed by the Company or has any element of their remuneration directly linked to the results of the Company.

### **External Quality Assessment**

At the request of the Group Audit Committee, and in accordance with best practice, GIA is subject to a periodic External Quality Assessment. Such a review was last undertaken in 2021. This review confirmed GIA's independence and that it was operating in conformance with the International Professional Practices Framework of the Institute of Internal Auditors.

### **Internal Audits Completed**

In 2022, GIA issued six final audit reports on R&Q Gamma's operations and those of its service providers. It also monitored the progress of two group-wide projects. A further six audits were still in progress at the end of the year. Seven reviews relevant to R&Q Gamma's operations were postponed to 2023 with the Audit Committee's approval.

All internal audit reports are presented to the R&Q Gamma Audit Committee in full.

All draft reports are discussed with management to confirm their factual accuracy and the suitability of their proposed actions to address the issues raised. GIA tracks all actions and provides reports on the status of all open items to the Audit Committee. The reports to the Audit Committee include both matters specific to R&Q Gamma and those relating to other group operations that have a bearing on R&Q Gamma's internal control environment and so could expose the Company to risk.

### **Internal Audit Plan**

An internal audit plan is developed based on GIA's independent risk assessment and prioritisation of the Audit Universe, including the input of senior management, the Board and regulators. The plan, which covers the period 1st of January to 31st of December, is submitted to the Audit Committee for approval. It is based on a three-year strategic cycle, as agreed with the Audit Committee, whilst maintaining flexibility to adapt to the business' needs as each year progresses.

The plan for the reporting period detailed the specific internal audits R&Q Gamma would be subject to in the three years 2022 to 2024 inclusive. The rolling plan was approved by the Audit Committee and includes specific audits of the Company's control environment as well as audits of other Group operations that service the needs of R&Q Gamma. The audit plan is reviewed quarterly and is based on the risk exposure to the business.

## **B6. Actuarial Function**

The Company's Actuarial Policy establishes and maintains an effective Actuarial Function as appropriate to the nature, scale and complexity of the Company and its risk profile.

The objective of the Actuarial Function is to establish and maintain appropriate procedures, processes and systems sufficient to allow the Company to reasonably estimate its insurance obligations and exposures and the related capital requirements, in line with applicable laws and recognised industry standards. The Actuarial Function coordinates the assessment and validation of

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internal data to determine the level of compliance with recognised standards for data quality and, if necessary, recommends improvements in Company procedures aimed at improving such compliance. Furthermore, the Actuarial Function reviews the integration of any relevant external data within the calculation of technical provisions, as may be appropriate and coordinates the process of validation of such external data, using the same criteria and standards applied to internal data.

The Actuarial Function should at all times be carried out by persons who are fit and proper to carry out the duties outlined below, in an objective manner and free from any undue influences.

The Board has outsourced the Actuarial Function to R&Q Central Services Ltd after having satisfied itself of the service provider's ability and capacity to perform the Actuarial Function satisfactorily.

During 2022, the Actuarial Function participated in Board meetings. In addition, the Actuarial Function is fully integrated in the due diligence process on the uptake of new business. The Actuarial functions reviews and reports upon the quarterly, and annual, actuarial valuations, both in terms of statutory reserves and the reserves based on the Solvency II valuation. In addition, it also acts as the liaison between the Board and the external independent actuaries.

The Actuarial Function is also fully integrated into ORSA process working alongside the Risk Management Function. It also confirmed the Company's SCR cover as at 31 December 2022.

### **B7. Outsourcing**

The Board of Directors of Gamma retains ultimate responsibility for discharging its obligations including where any of the functions are outsourced or intragroup outsourced.

The Company has entered into a number of outsourcing arrangements which are central to the operations and management of the Company. The firms as well as the individuals responsible for outsourced functions are listed in the following table

<b>Entity</b>	<b>Function</b>
R&Q Central Services Ltd	Operational Services including Claims and Reinsurance, Actuarial, Risk Management, Compliance, Internal Audit function
Conning Asset Management Limited	Investment Management

Outsourcing is included as a policy standard in the Company's Compliance Framework. The following are included as requirements

Prior to outsourcing an activity, the Executive of the Company proposing to outsource an activity must prepare a business case detailing the rationale, the cost-benefit analysis, the risks (business,

operational, legal and regulatory) and how these will be mitigated; where appropriate, Procurement Management should be involved

For proposals to engage in 'Material Outsourcing', approval must be sought from and granted by the Company's Board; Material Outsourcing is defined as: "the outsourcing of business critical activities, the outsourcing of regulated activities, where the annual cost exceeds USD 70,000 where the failure of the service provider would cause material customer detriment, or where an external provider would be accessing and amending data directly in R&Q internal systems"

For proposals to engage in non-Material Outsourcing, approval may be sought from and granted by the Company's Executive or other equivalent governing body

Once approval has been obtained, and prior to the appointment of an outsourced service provider, the Executive of the Company must conduct appropriate due diligence to ensure the provider can provide the services to the required standards, has appropriate governance arrangements, can comply with relevant regulatory requirements, and operates within the risk tolerances of the Company

Due diligence of an outsourced service provider must include relevant financial crime checks and screening; such checks and screening must also be carried out with respect to business related counterparties (brokers, coverholders, intermediaries, reinsurers etc)

Once the due diligence has been conducted, and the Executive of the Company is satisfied that the provider can deliver the services, a contract (or other form of agreement) must be prepared; this must set out the services to be provided, the standards to be maintained, reporting requirements, oversight mechanisms, dispute resolution, payment, contract termination, access of auditors and regulators, and all other relevant matters. Legal assistance must be sought in respect of contracts relating to Outsourcing' to ensure appropriate governance of the outsourcing.

When choosing the service provider (including R&Q Group functions) for any critical or important operational functions or activities, the Company board should ensure that the service provider has adopted all means to ensure that no explicit or potential conflict of interest jeopardise the fulfilment of the needs of the Company.

Each outsourced service arrangement must have an assigned Executive responsible for effecting the arrangement, monitoring the performance of the provider, reporting the performance of the provider to the Company's Board (or other governing body), and resolving performance issues

Significant issues and failings on behalf of the provider must be reported promptly to the Board (or other governing body) and remedial action agreed and promptly undertaken

### **B8. Any other information**

There is nothing to report.

### C. Risk Profile

The Company operates proportionate processes for identifying, assessing, monitoring, managing and reporting risks faced in both the short and medium / long term.

In conjunction with the Group, the Company maintains a risk register recording the results of its risk & control self-assessment process providing for an assessment of risk across defined categories.

The risk register includes assessments both of those risks considered covered by own funds and those that are not (for example, liquidity risk) and details the controls applied to the management of these risks.

Material risks or material changes in the perception of actual or potential future risk arising will be reported to the Board together with recommended actions as appropriate.

Risk management is a core process within the Company's Own Risk and Solvency Assessment ("ORSA") policy.

The Company faces risks spanning a range of categories including, but not limited to, those categories of risk that are encompassed by the standard formula SCR and for which the holding of capital is considered an appropriate response. At a high level the Company considers risks within the following risk categories:

- Insurance Risk (including Reserve Risk)
- Market Risk
- Credit Risk
- Liquidity Risk\*
- Strategic Risk \*
- Group Risk\*\*
- Operational Risk (including Regulatory and Legal risks).

*\*Liquidity Risk, Strategic Risk and Group are not explicitly considered by the Standard Formula SCR*

*\*\* The material Group Risks that the Company is exposed to have been covered by Market Risk and Operational Risk*

There are a number of risks that are inherent in the Company's portfolio:

#### C1. Insurance Risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims including claims inflation. Accordingly, the objective of the Company is to ensure that sufficient reserves are available to cover its liabilities. The main insurance risks which impact the Company are:

##### **Pricing Risk**

The risk that the risk premium charged by the Company is inadequately priced, resulting in underwriting losses which in turn could lead to capital impairment.

Management and Mitigation:

At the underwriting/ acquisition stage a detailed due diligence is performed by experienced outsourced providers on each portfolio under consideration. The due diligence will include a review of notified claims outstanding, inuring reinsurance treaties in place and recoverability thereof, legal cases against the Company, policy information and asset values (if assets other than cash are to be taken over as part of the portfolio transfer). In addition, the Company will use market information available to it on the classes of business being considered, in addition to any direct experience that the Company might have had on similar exposures.

An actuarial valuation of the business being taken over is performed, in order to assess the adequacy of claims incurred but not reported "IBNR" and the risk premium to be charged, if any.

### **Claims Risk**

The risk that claims are not appropriately adjusted or handled either by the company or its third-party claims handlers, leading to missed payments, delays in overall settlement and potential leakage of claims.

#### Management and Mitigation:

The Company has outsourced the claims handling to a specialised service provider who is contracted to investigate and adjust all claims. Claims are reviewed individually on a regular basis. The Company actively manages and pursues early settlement for claims to reduce its exposure to unpredictable developments.

### **Reinsurance Risk**

The risk that the reinsurers will dispute the coverage of losses and/or inadequate or inappropriate reinsurance cover, especially given the long-term nature of these risks.

Although the Company has reinsurance arrangements, this does not relieve it of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

#### Management and Mitigation:

The Company has reinsurance protections in place are with rated security, with amounts recoverable from reinsurers calculated in accordance with the reinsurance contracts, and in a manner consistent with the gross outstanding claims provisions. The status of the reinsurers is subject to frequent monitoring.

The Board will approve the reinsurance taken over at the time a portfolio of business is written. In addition, the Board could decide to purchase additional reinsurance should it feel it appropriate to do so. Furthermore, the Board could also decide to commute certain treaties should it be considered beneficial to do so.

### **Reserving Risk**

The risk that the provisions established by the Company prove to be inadequate to cover its liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims including **claims inflation**.

#### Management and Mitigation:



In addition to the reserving methodology in place at the Company on the known outstanding claims, the Company uses the services of professional actuaries to assist in the determination of the reserves that the Company holds.

Claims on contracts are accounted for on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, the estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company. Certain classes of business can take several years to develop, in particular claims involving casualty, and are therefore subject to a greater degree of uncertainty than other classes of business which are typically settled in a shorter period of time.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claim's exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established.

There also continues to be reinsurance cover for the UK P&I Club business by AIEL through a high-level Adverse Development Cover to the Company.

### **C2. Market Risk**

The Company is exposed to market risk, through its financial assets, financial liabilities and insurance assets and liabilities. The key risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance risk. The investment strategy of the Company is managed by the Board and by implementing detailed investment guidelines. Investment performance is regularly monitored against market-based benchmarks.

The risk management policies employed by the Company to manage these risks are discussed below:

#### **Interest Rate Risk**

In general, the Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets carrying variable rates expose the Company to cash flow interest rate risk. Assets carrying fixed rates expose the Company to fair value interest rate risk. The Company manages this risk through the Board, and by implementing detailed investment guidelines. Investment performance is monitored against market-based benchmarks.

Gamma's investment portfolio is managed by a highly experienced investment manager, Conning, within agreed guidelines.

#### **Spread Risk**

The risk relates to the Company's investment in bond funds and Group loans and reflects potential volatility in credit spreads over risk free rates. Management structures are in place to monitor all the Company's overall market positions on a frequent basis and are reviewed on a quarterly basis by the

Board. Detailed investment guidelines are in place with Investment performance regularly monitored against market-based benchmarks.

### **Currency Risk:**

The Company has become exposed to currency risk following the move from cash to bonds with an emerging market strategy for the bond portfolio. The Company is therefore exposed to currency risk, as the value of assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. In line with its guidelines for investing in foreign currency the Company tries as far as possible to match its currency exposure on the assets and liabilities in order to minimise the exposure as far as possible.

### **Market Concentration Risk**

The risk relates to the default of individual counterparties in respect of equities, bond funds, intra-group loans and properties. The Company mitigates any concentration risk by spreading investments over multiple counterparties. No concentration risk has been assumed for the base SCR calculations in relation to the loan the Company made to its ultimate parent, Randall & Quilter Investments Holdings Ltd, as the Group is under the Bermudian Solvency II equivalence regime.

### **Prudent Person Principle:**

The Company's investment management function ensures that its assets are invested in accordance with the investment guidelines reflecting the prudent persons principle, following external advice from service providers where required. The company monitors compliance with investment guidelines on a quarterly basis to ensure assets are being invested in accordance with prudent person principles.

### **C3. Credit Risk**

The risk of decreases in value when counterparties are not capable of fulfilling their obligations or when a change in their credit status takes place. Key areas where the Company is exposed to credit risk are:

- Investments and cash and cash equivalents
- Reinsurer' share of technical provisions
- Loans to group companies

#### Management and Mitigation:

The Company will place limits on the level of credit risk undertaken from the main categories of financial instruments. These limits will also take due consideration of the solvency restrictions imposed by the relevant Regulations. The investment strategy of the Company will consider the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.

The Company structures the levels of credit risk it accepts by limiting as far as possible its exposure to a single counterparty or groups of counterparties. The Company has in place internal control structures to assess and monitor credit exposures and risk thresholds.

The Company's cash is placed with quality financial institutions, thereby reducing the concentration of counterparty credit risk to an acceptable level.

There is a risk of reinsurers defaulting on recoverable balances and the financial institutions that are holding the Company's cash assets defaulting. Reinsurance recoveries are evaluated each quarter for credit risk and existing bad debt provisions are evaluated as to adequacy. The Directors believe that significant adverse credit risk development is unlikely. In making this assessment the Directors have considered the run-off of the Company, the security ratings of each reinsurer or reinsured and the likely attitude of those from whom amounts will be due.

The Company recognises that the majority of its counterparty exposure is in respect of inherited contracts over which it has no direct control and will assess potential exposures and concentrations as part of due diligence in advance of accepting a new portfolio. In respect of the run-off portfolios, the Company continues to monitor known significant concentrations of exposure to individual counterparties and considers the use of commutations (potentially on unfavourable terms) and / or the use of additional Adverse Development Covers to mitigate the potential risk of default.

There is also an inherent risk that the holding Company could default on the intra-group loan. However, the actual risk of default following ongoing review and oversight is considered extremely remote.

#### **C4. Liquidity Risk**

This is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company is exposed to regular calls on its available cash resources mainly from claims arising from insurance contracts.

##### Managing and Mitigation:

The cash position of the Company is monitored on a regular basis to ensure that sufficient funds are available to meet its liabilities as they fall due.

Funds required to meet immediate and short-term needs are invested in short term deposits. Funds in excess of short-term needs are managed by external fund managers whose performance is closely monitored throughout the year.

#### **C5. Operational Risk**

The risk that the Company is adversely affected because its outsourced service providers, including intra-group services, fail to meet their service level agreements.

##### **Regulatory and Legal Risk**

Changes in regulatory or legal environments leading to a change in the portfolio's liability profile and regulators not having sufficient resource available to review and approve portfolio transfer applications in the timeframe predicted by the business. The Company has regular meetings with its

regulator and closely monitors legal developments in involved jurisdictions and any regulatory pronouncements.

### **Outsourcing Risk**

The risk that the Company is adversely affected because its outsourced service providers, including intra-group services, fail to meet their service level agreements. The Company has regular formal performance review meetings with major outsourced service providers and measures against service level agreements, both internal and external.

### **Business Continuity Risk:**

The risk that an external event affects the operation of one or more of the Group's offices. The Company benefits from the Group's business continuity and disaster recovery plans which are regularly tested.

### **Cyber Risk:**

The risk that the Company is adversely affected by data loss, theft of Intellectual Property or financial loss as a result of cyber-attacks. The Company outsources the management of its IT and Cyber security to R&Q Central Services Limited (UK) who employs a Chief Information Security Officer responsible for ensuring that the threat of a cyber-attack is minimised. Various software and controls are deployed to mitigate the threat including, but not limited to:

- Varonis for data management
- AlienVault for intrusion detection system (IDS)
- Mimecast for email management for prevention and protection against phishing spam etc.
- DMAC through Mimecast for domain authentication, anti-spoofing and anti-impersonation.
- Cybergraph through Mimecast for Phishing and spam notification banners to end user emails
- MFA for multifactor authentication for Office 365
- SNOW for hardware and software asset management
- Kiteworks for secure file transfer
- McAfee for anti-virus and endpoint protection
- Signify for 2FA for remote access
- Penetration testing for vulnerability management
- Darktrace using AI and machine learning with automated responses for prevention and remediation of risks and threats.
- Darktrace Antigena for email management acting as second line of defence for Mimecast

**In addition to the above, the Company was engaged in a specific Group led project to look at its operational resilience during H1 2022 and no material issues or concerns were identified.**

### **C6. Other Material Risks**

There are three risk categories not explicitly considered in the standard formula SCR, being liquidity (mentioned above), strategic and group risk. It is the view that the capital that would be held for these categories of risk would be immaterial as a proportion of the Company's overall capital, and these risks are managed in the risk framework in the same way as the other risk categories by operating appropriate controls to reduce the inherent risk to an agreed residual level.

#### **Strategic Risk**

The material strategic risk the Company faces is the potential inability to identify and complete the purchase / transfer of suitable run-off books of business in-line with the business plan, either due to a lack of pipeline of new deals or regulatory constraints. This risk is mitigated through the use of a dedicated team to seek new business, and regular inter-action with the Regulator. The risk is actively reviewed and there is an intensive and thorough due diligence of potential deals.

#### **Group Contagion Risk**

This comprises the risk that adverse events or circumstances affecting one or more business units or entities damage the solvency, liquidity, results or reputation of other entities or the overall group. These risks are not directly referenced in the capital model and its outputs for this Company. Their impacts are assessed and communicated through qualitative assessment / narratives and the use of scenarios rather than attempting to assign simple probabilistic assessments.

### **C7. Any Other Information**

There is no further information applicable, all material information is disclosed in sections C.1 to C.6 above.

### D. Valuation for Solvency Purposes

#### D1. Assets

As at 31 December 2022, the Company held the following assets with valuation for solvency purposes as shown:

Class	Valuation (£000s)
Cash and cash equivalents	439
Government / Corporate Bonds	60,240
Intra-Group loans and receivables	14,684
Reinsurers Share of Technical Provisions	2
Insurance and trade receivables	192
Other Assets	611
<b>Total Assets</b>	<b>76,168</b>

#### Investments

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification is dependent on the purpose for which the investments were acquired.

#### Insurance and Trade Receivables, Cash and Cash Equivalents

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company has designated at fair value through profit or loss. They include, inter alia, loans to Group Companies, insurance and other receivables, cash and cash equivalents in the statement of financial position as well as other financial investments (comprising deposits with credit institutions).

Loans and receivables are measured at fair value.

#### Compliance with UK GAAP ("GAAP")

The Company's valuation of assets in its financial statements (prepared under GAAP accounting standards) does not materially differ from the valuation for solvency purposes. Reinsurers' share of TPs are included within best estimate liabilities under Solvency II (and valued as described in section D2) whereas these are presented as assets under GAAP.

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### D2. Technical provisions (“TPs”)

At 31 December 2022, the Solvency II Technical Provisions were:

Class ( Non-Life)	Gross Best Estimate	Risk Margin	Best Estimate RI Share of Technical Provisions	Net Technical Provisions
	£000s	£000s	£000s	£000s
Workers’ compensation (Direct)	36,192	3,806	0	39,998
General liability (Direct)	1,492	177	3	1,666
General Liability (Proportional)	1,340	159	0	1,499
Non-proportional casualty reinsurance	2,503	258	0	2,761
<b>Total Undiscounted</b>	<b>41,526</b>	<b>4,400</b>	<b>3</b>	<b>45,924</b>
SII Expenses	789	0	0	789
ENIDs	498	0	0	498
Discount	(10,745)	0	(0)	(10,745)
Bad Debt	0	0	(0)	0
Reinstatement Premium	0	0	0	0
<b>Total Discounted</b>	<b>32,069</b>	<b>4,400</b>	<b>2</b>	<b>36,467</b>

### Methodology

In setting the gross undiscounted claim element of TPs, the starting point is the GAAP claims reserves determined for reporting in the financial statements. The bases, methods and assumptions for each line of business are detailed below:

- TPs for inclusion within the full year GAAP accounts are estimated by the Group Chief Actuary and the Group Actuarial Function (“AF”) and approved by the Board. The estimates for the purpose of GAAP are permitted to contain a level of prudence to reflect the degree of uncertainty in specific areas of the business written. Following the AF reserving policy, the AF determines best-estimate reserves with no margin for prudence on both a GAAP and Solvency II basis.
- The GAAP reserves are set by homogenous risk Groups according to the class of business
- Claims TPs are projected using ResQ at various points through the year. We select underwriting year loss development factors using historical paid and incurred claims development triangles. Where underwriting years within a class showed significantly different development patterns, we selected different loss development factors. Where necessary, we have estimated tail factors by fitting mathematical curves.
- For disease losses, reserves are projected using frequency severity decay models. Where appropriate (e.g. for disputes and large claims) the reserves for specific losses are estimated separately outside the standard models.
- Net claims reserves have been estimated by using Gross-to-Net ratios to reduce the gross reserves. There are £0.24m of discounted reinsurance TPs.

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- The bad debt on the projected reinsurance recoveries is estimated using a credit default charge against all reinsurers based on Standard & Poor’s Reinsurer Strength Ratings, where available. Where S&P ratings are unavailable, A.M. Best data is used to complete the listing of reinsurers and ratings.
- The GAAP claims reserves are set on a Best Estimate basis with no margin for prudence. These GAAP reserves are then mapped to Solvency II class.

In determining the TP Claims Provisions, the UK GAAP reserves are adjusted for:

- Events Not In Data (“ENIDs”).
- Additional expenses and Bad Debt.
- Discounting.

There are no future premium cash-flows within the Claims TPs.

In setting the undiscounted claims TPs for this class, the starting point is the GAAP Unearned Premium Reserves (“UPR”). This is multiplied by the Initial Expected Loss Ratio (“IELR”) to determine the unearned future claims TPs. In determining these provisions, the unearned future claim amounts are adjusted for:

- Legally Obligated business.
- Expenses.
- Discounting (Rates as advised by PRA)

### Comparison to Financial Statements

The table below shows the differences between the TPs held in the financial statements and those calculated for Solvency II:

Technical Provisions - 31/12/22		
		£000s
GAAP	Net Claims Reserves	41,524
	Discounting	-
<b>Total Net GAAP Provisions</b>		<b>41,524</b>
SII Adjustments	ENIDs	498
	Additional Expenses	789
	Discounting	(10,745)
	Other UK GAAP Adjustments	0
	Bad Debt	0
	Risk Margin	4,400
<b>Total Adjustments</b>		<b>(5,057)</b>
<b>Total Net SII Provisions</b>		<b>36,467</b>



Material differences are highlighted below.

- **ENIDs**

To allow for the occurrence of all possible future outcomes under Solvency II, ENIDs have been considered. ENIDs represent low frequency, high cost events which are not represented within historical data, therefore must be estimated explicitly. A simple percentage approach is taken to estimating ENIDs due to the nature of the run-off reserves and the reinsurance mitigation available on the programme business.

- **BBNI and Future Premium Reserves**

For Solvency II TPs the Company must calculate the premium and claims cashflows of contracts to which it is legally obliged, whether these contracts have incepted or not (bound but not incepted, "BBNI"). The calculation of these cash-flows generates future premium reserves for both incepted and unincepted contracts.

- **Expenses**

The Company does not hold a provision for ULAE within the GAAP reserves as it is considered that investment income will be more than sufficient to cover these costs. For Solvency II TPs, the discounted cashflows associated with the estimated cost of running all claims off to finality is required to be included in the TPs. A simple percentage approach is taken to estimating SII additional expenses due to the nature of the run-off reserves.

- **Discounting**

Solvency II best estimates represent the probability weighted average value of all future cash flows, discounted to allow for the time value of money.

Discounting has been carried out in accordance with PRA guidelines. Yield curves have been provided by PRA. Claim payment patterns used for discounting provisions were derived from the gross claim projections. Claims payment patterns are determined for each currency and currency specific discount rates have been used.

ULAE is discounted assuming the same underlying payment pattern as gross claims to which the expense has been allocated. Reinsurance recoveries are assumed to mirror gross payments.

- **Risk Margin**

Currently the risk margin is calculated on a simplified cost of capital approach (method 3). The SCR relating to the written and obliged business is run off using best estimate net discounted cash flows adjusted for future premiums, ENIDs and ULAE. The cost of capital of 6% is then applied to the SCR and discounted without liquidity premium to give the risk margin. This approach runs off the SCR in line with the expected run-off of technical provisions. The simplified method has been chosen due to the maturity of the Company and the nature of the exposures.

The SF model risk margin is calculated using the same approach to the simplified method 3.

- **Uncertainty**

There is always uncertainty associated with the estimation of TPs. Future development can and does differ from past experience.

### Other Information

The data used to determine TPs is complete and accurate and appropriate for purpose as assess in accordance with Article 19 of Directive 2009/138/EC.

In assessing the TPs; there is no matching adjustment (Article 77b of Directive 2009/138/EC), no volatility adjustment (Article 77d of Directive 2009/138/EC), no transitional risk-free interest rate-term structure (Article 308c of Directive 2009/138/EC) and no transitional deduction (Article 308d of Directive 2009/138/EC).

The Company took advantage of simplification on counterparty default risk on pooling arrangements under Article 109 of the Delegated Regulation 2015/35

### D3. Other Liabilities

As at 31 December 2022, the Company held the following other liabilities with valuation for solvency purposes as shown:

Class	Valuation (£000s)
Insurance and other payables	1,108
<b>Total liabilities</b>	<b>1,108</b>

### Insurance and other payables

The Company initially recognises its financial liabilities on the date that they are originated. The Company does not recognise a financial liability when its contractual obligations are discharged or cancelled or expired. All financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using effective interest method. The Company's financial liabilities include insurance and other payables.

### Compliance with GAAP

The Company's valuation of other liabilities in its financial statements (prepared under GAAP accounting standards), does not materially differ from the valuation for solvency purposes.

### D4. Alternative Methods for Valuation

No alternative methods for valuation of assets or other liabilities have been used.

### D5. Any Other Information

There is nothing else to report.

**E. Capital Management**

**E1. Own Funds**

The Company’s objectives when managing capital are to:

- Comply with the insurance capital requirements to hold Eligible Own Funds to cover the SCR and Minimum Capital Requirement (“MCR”).
- Safeguard the Company’s ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders.
- Maintain financial strength to support new business growth and to provide for the capital requirements of the Company; and

The Company aims to ensure that its ‘own funds’ consists of ‘tier 1’, ‘tier 2’ and ‘tier 3’ capital as defined by Solvency II Directive. The Company’s own funds shall take the form of:

- Ordinary Share Capital.
- Retained Earnings.

In order to maintain or adjust the capital structure, the Company may issue new shares or capitalise contributions received from its shareholders. There were no changes over the period.

Own funds have moved as follows:

	<b>Share Capital Tier 1</b>
	<b>£000s</b>
<b>Basic own funds at 1 January 2022</b>	45,046
Movement in excess of assets over liabilities	(6,454)
<b>Basic own funds at 31 December 2022</b>	<b>38,593</b>

	<b>Tier 1</b>	<b>Tier 2</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Basic own funds</b>	<b>38,593</b>	-	<b>38,593</b>
<b>SCR</b>			<b>10,484</b>
MCR			<b>3,570</b>
<b>Total available own funds to meet SCR and MCR</b>	-	-	<b>38,593</b>
<b>SCR Cover</b>			<b>368%</b>
MCR Cover			1,081%

### Ordinary Shares

The share capital is made up of Ordinary shares.

### Available Own Funds to Cover SCR and MCR

In assessing the Solvency cover, the Board considers the available own funds to be a significant driver. The Company is in a position to cover the SCR fully with its Tier 1 capital.

Reconciliation between Solvency II excess of assets over liabilities and Equity as per GAAP:

	£000s
<b>Excess of assets over liabilities as per SII</b>	<b>38,593</b>
Difference in value of RI Asset	(1)
Difference in TPs	(5,057)
<b>Equity as per UK GAAP</b>	<b>33,358</b>

## E2. Solvency Capital Requirement and Minimum Capital Requirement

The Company calculates its capital requirement using a SF model. As at the year-end 2022, the assessed SCR is £10,484k with a corresponding MCR of £3,570k. The SCR by risk module is shown in the table below:

Gamma SCR	31/12/2022	31/12/2021
	£000s	£000s
Non-life underwriting risk	1,616	1,887
Health underwriting risk	7,560	9,438
Market risk	3,644	3,172
Counterparty default risk	124	138
<b>Undiversified SCR</b>	<b>12,994</b>	<b>14,635</b>
Diversification Credit	(3,422)	(3,598)
Operational risk	962	1,179
<b>SCR</b>	<b>10,484</b>	<b>12,215</b>
MCR	3,570	4,342

### USP and Simplifications

We have applied simplified approaches in determining the SCR for R&Q Gamma as at year end 2022 in line with the nature, scope and complexity of R&Q Gamma's risk profile. We believe these simplifications are in line with Article 88 of the Delegated Acts on proportionality. The simplified approaches were applied to:

- The determination of counterparty default risk; and

- The allocation of Technical Provisions to solvency II class and region, for each class.

In determining the SCR for R&Q Gamma no application of Undertaking Specific Parameters was incorporated.

The MCR is determined as prescribed in the 'Commission Delegated Regulation (EU) 2015/35 of 10 October 2014'.

### **E3. Use of the Duration-Based Equity Risk Sub-Module in the Calculation of the Solvency Capital Requirement**

R&Q Gamma does not make use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

### **E4. Differences between the Standard Formula and Any Internal Model Used**

R&Q Gamma has chosen to determine its Solvency Capital Requirements using the Standard Formula and does not implement an Internal Model.

### **E5. Non-Compliance with the Minimum Capital Requirement and Non-Compliance with the Solvency Capital Requirement**

R&Q Gamma was compliant with the MCR and the SCR at all times during the period and is also projected to be compliant over the business planning horizon.

### **E6. Any Other Information**

There is no material information to report.

F. Approval by the Board of Directors of the Solvency and Financial Condition Report

STRATEGY | INNOVATION | EXPERTISE



R&Q Gamma Company Limited

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Prudential Regulation Authority  
Bank Buildings  
8 Lothbury  
London  
EC2R 7HH

28 March 2023

In relation to R&Q Gamma Company Limited

We certify that:

1. the Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material aspects in accordance with the PRA rules and Solvency II Regulations; and
2. we are satisfied that:
  - a) throughout the financial year in question, the company has complied in all material respects with the requirements of the PRA rules and Solvency II Reports as applicable to the company; and
  - b) it is reasonable to believe that, at the date of the publication of the SFCR, the Company has continued so to comply, and will continue so to comply in future.

A handwritten signature in black ink, appearing to read 'Mark Tilney'.

.....  
Mark Tilney  
Finance Manager  
For and on behalf of the Board of Directors  
Date: 28 March 2023

[www.rqih.com](http://www.rqih.com)

R&Q Gamma Company Limited  
71 Fenchurch Street, London EC3M 4BS  
Telephone: +44 (0) 20 7780 5850  
Facsimile: +44 (0) 20 7780 5851

Registered in England & Wales No. 1335239  
Registered Office: 71 Fenchurch Street, London EC3M 4BS  
R&Q Gamma Company Limited is authorised by the Prudential  
Regulation Authority and regulated by the Financial Conduct  
Authority and the Prudential Regulation Authority

**Appendix 1 – ARTs Forms**

**S.02.01.02**

**Balance sheet**

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	60,240
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	60,240
R0140	<i>Government Bonds</i>	12,283
R0150	<i>Corporate Bonds</i>	47,957
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	0
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	14,684
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	14,684
R0270	Reinsurance recoverables from:	2
R0280	<i>Non-life and health similar to non-life</i>	2
R0290	<i>Non-life excluding health</i>	2
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	192
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	439
R0420	Any other assets, not elsewhere shown	611
R0500	<b>Total assets</b>	<b>76,169</b>

## SOLVENCY AND FINANCIAL CONDITION REPORT

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	36,467
R0520	<i>Technical provisions - non-life (excluding health)</i>	4,929
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	4,335
R0550	<i>Risk margin</i>	595
R0560	<i>Technical provisions - health (similar to non-life)</i>	31,540
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	27,734
R0590	<i>Risk margin</i>	3,806
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	19
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	1,088
R0900	<b>Total liabilities</b>	37,576
R1000	<b>Excess of assets over liabilities</b>	38,593



## SOLVENCY AND FINANCIAL CONDITION REPORT

S.05.01.02

### Premiums, claims and expenses by line of business

#### Non-life

	Line of Business for: non-life insurance and reinsurance obligations (direct business		Line of business for: accepted	Total
	Workers' compensation insurance	General liability insurance	Casualty	
	C0030	C0080	C0140	C0200
<b>Premiums written</b>				
R0110 Gross - Direct Business				0
R0120 Gross - Proportional reinsurance accepted				0
R0130 Gross - Non-proportional reinsurance accepted				0
R0140 Reinsurers' share				0
R0200 Net	0	0	0	0
<b>Premiums earned</b>				
R0210 Gross - Direct Business				0
R0220 Gross - Proportional reinsurance accepted				0
R0230 Gross - Non-proportional reinsurance accepted				0
R0240 Reinsurers' share				0
R0300 Net	0	0	0	0
<b>Claims incurred</b>				
R0310 Gross - Direct Business	150	-493		-343
R0320 Gross - Proportional reinsurance accepted				0
R0330 Gross - Non-proportional reinsurance accepted			-12	-12
R0340 Reinsurers' share				0
R0400 Net	150	-493	-12	-355
<b>Changes in other technical provisions</b>				
R0410 Gross - Direct Business				0
R0420 Gross - Proportional reinsurance accepted				0
R0430 Gross - Non-proportional reinsurance accepted				0
R0440 Reinsurers' share				0
R0500 Net	0	0	0	0
R0550 Expenses incurred	1,742	96	168	2,006
R1200 Other expenses				
R1300 Total expenses				2,006

# SOLVENCY AND FINANCIAL CONDITION REPORT

S.05.02.01

## Premiums, claims and expenses by country

### Non-life

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations			Total Top 5 and home country
R0010	C0080	C0090	C0100	C0110	C0120	C0130	C0140
<b>Premiums written</b>							
R0110	Gross - Direct Business						0
R0120	Gross - Proportional reinsurance accepted						0
R0130	Gross - Non-proportional reinsurance accepted						0
R0140	Reinsurers' share						0
R0200	Net	0					0
<b>Premiums earned</b>							
R0210	Gross - Direct Business						0
R0220	Gross - Proportional reinsurance accepted						0
R0230	Gross - Non-proportional reinsurance accepted						0
R0240	Reinsurers' share						0
R0300	Net	0					0
<b>Claims incurred</b>							
R0310	Gross - Direct Business	-343					0
R0320	Gross - Proportional reinsurance accepted						0
R0330	Gross - Non-proportional reinsurance accepted	-12					0
R0340	Reinsurers' share						0
R0400	Net	-355					0
<b>Changes in other technical provisions</b>							
R0410	Gross - Direct Business						0
R0420	Gross - Proportional reinsurance accepted						0
R0430	Gross - Non-proportional reinsurance accepted						0
R0440	Reinsurers' share						0
R0500	Net	0					0
R0550	Expenses incurred	831					0
R1200	Other expenses						1,176
R1300	Total expenses						2,006

# SOLVENCY AND FINANCIAL CONDITION REPORT

S.17.01.02

## Non-Life Technical Provisions

		Direct business and accepted non-proportional reinsurance		Accepted non-proportional	Total Non-Life obligation
		Workers' compensation insurance	General liability insurance	Non-proportional casualty reinsurance	
		C0040	C0090	C0150	C0180
R0010	<b>Technical provisions calculated as a whole</b>	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole				0
<b>Technical provisions calculated as a sum of BE and RM</b>					
<b>Best estimate</b>					
<b>Premium provisions</b>					
R0060	Gross	0	0	0	0
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				0
R0150	<b>Net Best Estimate of Premium Provisions</b>	0	0	0	0
<b>Claims provisions</b>					
R0160	Gross	27,734	2,454	1,881	32,069
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	2	0	2
R0250	<b>Net Best Estimate of Claims Provisions</b>	27,734	2,452	1,881	32,066
R0260	<b>Total best estimate - gross</b>	27,734	2,454	1,881	32,069
R0270	<b>Total best estimate - net</b>	27,734	2,452	1,881	32,066
R0280	<b>Risk margin</b>	3,806	336	258	4,400
<b>Amount of the transitional on Technical Provisions</b>					
R0290	Technical Provisions calculated as a whole				0
R0300	Best estimate				0
R0310	Risk margin				0
R0320	<b>Technical provisions - total</b>	31,540	2,790	2,139	36,469
R0330	<b>Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total</b>	0	2	0	2
R0340	<b>Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total</b>	31,540	2,788	2,139	36,467

# SOLVENCY AND FINANCIAL CONDITION REPORT

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year										In Current year	Sum of years (cumulative)		
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior										5,175	5,175	5,175	
R0160	0	0	0	0	0	0	0	0	0	0		0	0	
R0170	0	0	0	0	0	0	0	0	0	0		0	0	
R0180	0	0	0	0	0	0	0	0	0			0	0	
R0190	0	0	0	0	0	0	0					0	0	
R0200	0	0	0	0	0	0						0	0	
R0210	0	0	0	0	0							0	0	
R0220	0	0	0	0								0	0	
R0230	0	0	0									0	0	
R0240	0	0										0	0	
R0250	0											0	0	
R0260	0											0	0	
<b>Total</b>											5,175	5,175		

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
	Development year										Year end (discounted data)		
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior										41,526	31,104	
R0160	0	0	0	0	0	0	0	0	0	0		0	
R0170	0	0	0	0	0	0	0	0	0	0		0	
R0180	0	0	0	0	0	0	0	0	0			0	
R0190	0	0	0	0	0	0	0					0	
R0200	0	0	0	0	0	0						0	
R0210	0	0	0	0	0							0	
R0220	0	0	0	0								0	
R0230	0	0	0									0	
R0240	0	0										0	
R0250	0											0	
R0260	0											0	
<b>Total</b>											31,104		

# SOLVENCY AND FINANCIAL CONDITION REPORT

5.23.01.01

## Own Funds

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

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
R0220	<b>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</b>
R0230	<b>Deductions for participations in financial and credit institutions</b>
R0290	<b>Total basic own funds after deductions</b>
<b>Ancillary own funds</b>	
R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	<b>Total ancillary own funds</b>
<b>Available and eligible own funds</b>	
R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR
R0580	<b>SCR</b>
R0600	<b>MCR</b>
R0620	<b>Ratio of Eligible own funds to SCR</b>
R0640	<b>Ratio of Eligible own funds to MCR</b>
<b>Reconciliation reserve</b>	
R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	<b>Reconciliation reserve</b>
<b>Expected profits</b>	
R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	<b>Total Expected profits included in future premiums (EPIFP)</b>

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
30,000	30,000		0	
0	0		0	
0	0		0	
0		0	0	0
0				
0		0	0	0
0		0	0	0
8,593	8,593			
0		0	0	0
0				
0	0	0	0	0
0				
38,593	38,593	0	0	0
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0
38,593	38,593	0	0	0
38,593	38,593	0	0	0
38,593	38,593	0	0	0
38,593	38,593	0	0	0
10,484				
3,570				
368.10%				
1081.07%				
<b>C0060</b>				
38,593				
0				
30,000				
0				
8,593				
0				

# SOLVENCY AND FINANCIAL CONDITION REPORT

S.25.01.21

## Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	3,644		
R0020 Counterparty default risk	124		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	7,560		
R0050 Non-life underwriting risk	1,616		
R0060 Diversification	-3,422		
R0070 Intangible asset risk	0		
<b>R0100 Basic Solvency Capital Requirement</b>	<b>9,522</b>		
<b>Calculation of Solvency Capital Requirement</b>			
R0130 Operational risk	962		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes			
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
<b>R0200 Solvency Capital Requirement excluding capital add-on</b>	<b>10,484</b>		
R0210 Capital add-ons already set	0		
<b>R0220 Solvency capital requirement</b>	<b>10,484</b>		
<b>Other information on SCR</b>			
R0400 Capital requirement for duration-based equity risk sub-module	7,560		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
<b>Approach to tax rate</b>			
R0590 Approach based on average tax rate	0		
<b>Calculation of loss absorbing capacity of deferred taxes</b>			
<b>LAC DT</b>			
<b>C0130</b>			
R0640 LAC DT			
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	0		
R0670 LAC DT justified by carry back, current year	0		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	0		

### USP Key

#### For life underwriting risk:

- 1- Increase in the amount of annuity benefits
- 9 - None

#### For health underwriting risk:

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

#### For non-life underwriting risk:

- 4- A adjustment factor for non-proportional reinsurance
- 6- Standard deviation for non-life premium risk
- 7- Standard deviation for non-life gross premium risk
- 8- Standard deviation for non-life reserve risk
- 9 - None

# SOLVENCY AND FINANCIAL CONDITION REPORT

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		C0010		
R0010	MCR <sub>NL</sub> Result	3,570		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
			C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		0	
R0030	Income protection insurance and proportional reinsurance		0	
R0040	Workers' compensation insurance and proportional reinsurance		27,734	
R0050	Motor vehicle liability insurance and proportional reinsurance		0	
R0060	Other motor insurance and proportional reinsurance		0	
R0070	Marine, aviation and transport insurance and proportional reinsurance		0	
R0080	Fire and other damage to property insurance and proportional reinsurance		0	
R0090	General liability insurance and proportional reinsurance		2,452	
R0100	Credit and suretyship insurance and proportional reinsurance		0	
R0110	Legal expenses insurance and proportional reinsurance		0	
R0120	Assistance and proportional reinsurance		0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance		0	
R0140	Non-proportional health reinsurance		0	
R0150	Non-proportional casualty reinsurance		1,881	
R0160	Non-proportional marine, aviation and transport reinsurance		0	
R0170	Non-proportional property reinsurance		0	
Linear formula component for life insurance and reinsurance obligations		C0040		
R0200	MCR <sub>L</sub> Result	0		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
			C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits			
R0220	Obligations with profit participation - future discretionary benefits			
R0230	Index-linked and unit-linked insurance obligations			
R0240	Other life (re)insurance and health (re)insurance obligations			
R0250	Total capital at risk for all life (re)insurance obligations			
Overall MCR calculation		C0070		
R0300	Linear MCR	3,570		
R0310	SCR	10,484		
R0320	MCR cap	4,718		
R0330	MCR floor	2,621		
R0340	Combined MCR	3,570		
R0350	Absolute floor of the MCR	2,325		
R0400	Minimum Capital Requirement	3,570		