



**THE BRITANNIA STEAM SHIP INSURANCE  
ASSOCIATION HOLDINGS LIMITED**

**SOLVENCY AND FINANCIAL  
CONDITION REPORT**

Year Ended 20 February 2024

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## **Directors' responsibility statement**

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

We are satisfied that:

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

For and on behalf of the Board of The Britannia Steam Ship Insurance Association Holdings Limited

**A J Cutler**  
Date: 4 July 2024

**M R A Hall**

## Auditor's report

**Report of the external independent auditor to the Directors of Britannia Steam Ship Insurance Association Holdings Limited ('the Group') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms**

**Report on the Audit of the relevant elements of the Group Solvency and Financial Condition Report ('SFCR')**

### Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 20 February 2024:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group SFCR of the Company as at 20 February 2024, ('the Narrative Disclosures subject to audit'); and
- Group templates S.02.01.02, S.23.01.22, S.25.01.04 ('the Group Templates subject to audit').

The Narrative Disclosures subject to audit and the Group Templates subject to audit are collectively referred to as the 'relevant elements of the Group SFCR'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- the 'Executive Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group SFCR;
- Group templates S05.01.01 and S05.02.01;
- Solo templates S.05.01.02 and S.05.02.01;
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited';
- the written acknowledgement by management of their responsibilities, including for the preparation of the Group SFCR ('the Responsibility Statement'); and
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with a UK law other than the Solvency II regulations ('the sectoral information').

To the extent the information subject to audit in the relevant elements of the Group SFCR includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group SFCR of the Company as at 20 February 2024 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Group SFCR in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Emphasis of Matter – Basis of Accounting**

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Group SFCR, which describe the basis of accounting. The Group SFCR is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Group SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the Group SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the financial performance of the Group and parent company, including investment holdings, cash position, technical provision reserves and net asset positions; this included performing a comparison analysis of the current year versus prior year-end positions;
- Evaluating management's reverse stress testing within the Group own risk and solvency assessment (ORSA) report;
- Assessing management's forecasts for the 12-month period from the date of approval of the financial statements;
- Assessing the historical accuracy of past forecasts; and
- Assessing the appropriateness of the going concern disclosure in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

## **Other Information**

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Group SFCR does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Group SFCR, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Group SFCR themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of Directors for the Group Solvency and Financial Condition Report**

The Directors are responsible for the preparation of the Group SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group SFCR that is free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report**

It is our responsibility to form an independent opinion as to whether the relevant elements of the Group SFCR are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Group SFCR are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Group SFCR.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at <https://www.frc.org.uk/auditorsresponsibilities>. The same responsibilities apply to the audit of the Group SFCR.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies and performance targets, key drivers for directors' remuneration;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the directors and the Risk & Audit Group about their own identification and assessment of the risks of irregularities including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including IT and actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation of IBNR on retained claims reserves. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation, authorisation by the Luxembourg Minister of Finance and regulations by the CAA, UK Prudential Regulation Authority (PRA) and regulations by the Financial Conduct Authority (FCA) as well as branches in Hong Kong (regulated by the Hong Kong Insurance Authority) and Singapore (regulated by the Monetary Authority of

Singapore) and Japan (regulated by the Japanese Financial Services Agency). In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the regulatory solvency requirements and insurance regulations.

As a result of performing the above, we identified valuation of IBNR on retained claims reserves as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, directors, the Risk & Audit Group concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the PRA and the FCA, and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## **Report on Other Legal and Regulatory Requirements**

### **Sectoral Information**

In our opinion, in accordance with Rule 4.2 of the External Audit Chapter of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and UK law relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

### **Other Information**

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Britannia Steam Ship Insurance Association Holdings Limited statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in relation to this matter.



**Use of our Report**

This report is made solely to the Directors of Britannia Steam Ship Insurance Association Holdings Limited in accordance with Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook for Solvency II firms. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the Group SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the PRA, for our audit work, for this report or for the opinions we have formed.

**Adam Addis ACA (Senior statutory auditor)**

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

4 July 2024

## A. Summary

The structure of the Solvency and Financial Condition Report (SFCR) follows the public disclosure requirements of Articles 290 to 303 of the Commission Delegated Regulation (EU) 2015/35 (“Solvency II regulations”).

This is the Group SFCR for The Britannia Steam Ship Insurance Association Holdings Limited (Britannia Holdings) based on the financial position as at 20 February 2024.

The ultimate Administrative Body that has the responsibility for all of these matters is the Board of Directors of Britannia Holdings, with the help of various governance and control functions that it has put in place to monitor and manage the business.

The report sets out different aspects of solvency and financial condition, specifically business and performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices. Britannia Holdings’ financial year runs to 20 February each year and it reports its results in US Dollar.

As a single SFCR, this document includes the disclosure obligations of the two entities which are subject to Solvency II regulation, both at Group level and Solo level:

- The Britannia Steam Ship Insurance Association Holdings Limited – Group
- The Britannia Steam Ship Insurance Association Europe – Solo
- The Britannia Steam Ship Insurance Association Limited – Solo

All monetary figures in the report are in USD000 unless specified otherwise.

All consolidated accounting figures in the tables in this report are reported on a UK GAAP basis only.

Britannia Holdings’ approach to capital management and valuation for solvency purposes remains stable and this is demonstrated through its capital ratios summarised below. The capital requirements are calculated in accordance with the Solvency II standard formula which Britannia Holdings has determined to be appropriate for its risk profile.

For Solvency Capital Requirement (“SCR”) purposes the total eligible own funds stood at USD731.9m (2023 – USD662.9m). Eligible own funds cover the SCR of USD269.1m (2023 – USD293.1m) with a capital adequacy ratio of 271.99% (2023 – 226.17%). The Minimum Capital Requirement (“MCR”) is USD78.0m (2023 – USD83.6m) leading to an MCR capital adequacy ratio of 766.00% (2023 – 626.07%).

## **B. Business and performance**

### **B.1. Business**

The Britannia Group comprises The Britannia Steam Ship Insurance Association Holdings Limited (Britannia Holdings), incorporated in England and Wales, and its two principal subsidiaries, The Britannia Steamship Insurance Association Europe (Britannia Europe), incorporated in Luxembourg, and The Britannia Steamship Insurance Association Limited (Britannia (UK)), incorporated in England and Wales. Britannia Holdings is the controlling member of Britannia Europe and Britannia (UK). There are also two Bermudian reinsurers Universal Shipowners Marine Insurance Association Limited (USMIA) and Hydra Insurance Company Limited – Britannia Cell (Hydra). Together the entities are referred to as the Britannia Group.

The Britannia Group is a leading mutual marine insurer providing its worldwide membership of shipowners, charterers and operators with liability insurance and related services. In addition to providing mutualised protection and indemnity insurance it also safeguards and promotes its Members' interests in other areas of their business by, for instance, providing regular advice and guidance about loss prevention, sanctions or any relevant changes in maritime law and practice.

The Britannia Group is a mono-line underwriter of P&I risks, operating as one of 12 independent clubs in the International Group of P&I Clubs ("IG") which together provide liability cover for the majority of the world's merchant marine fleet. P&I cover has developed over more than 150 years in response to shipowners needs, to provide coverage and levels of cover substantially unavailable in the traditional marine insurance markets.

The Britannia Group underwrites primarily P&I risks and provides cover of over USD7.5bn per claim but with separate limits of cover for oil pollution of USD1.0bn, USD2.0bn for passenger liabilities and USD3.0bn for passenger and crew liabilities combined. The individual club retention is currently USD10.0m. In aggregate, the P&I clubs offer cover through a combination of the individual club retention, the IG Pool, the IG General Excess of Loss Contract, the IG Collective Overspill Reinsurance Contract, and the IG Overspill System. The Britannia Group also provides discretionary insurance for legal expenses, also known as Freight, Demurrage and Defence (or "FD&D") risks, to complement the P&I insurance of entered vessels.

Britannia Holdings is a mutual company which is not authorised to conduct any insurance business.

Britannia Europe is a mutual insurance company. Britannia Europe is registered in Luxembourg as a company limited by guarantee without share capital. As a mutual insurance company, the liability of its Members is limited to the calls and premiums set by its Directors.

Britannia Europe is authorised by the Luxembourg Minister of Finance and regulated by the Commissariat aux Assurances (CAA).

Contact details for the CAA can be found on their website:

<https://www.caa.lu/>

Britannia (UK) is a mutual insurance company. Britannia (UK) is registered in England and Wales as a company limited by guarantee without share capital. As a mutual insurance company, the liability of its Members is limited to the calls and premiums set by its Directors.

Britannia (UK) is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA), firm reference number 202047.

The PRA is the Group Supervisor of the Britannia Group.

Contact details for the PRA and the FCA can be found on their respective websites:

[www.bankofengland.co.uk/pr](http://www.bankofengland.co.uk/pr)

[www.fca.org.uk](http://www.fca.org.uk)

The provisions of the Articles of Association of Britannia (UK), Britannia Europe and Britannia Holdings ensure that Britannia Holdings is the controlling Member of Britannia (UK) and Britannia Europe. Britannia Holdings is 100% owned by the Mutual Membership and has no controlling Member.

The constitution of the Boards of Britannia (UK), Britannia Holdings and Britannia Europe are identical, thus ensuring a consistency of approach across the entire business. All Members of Britannia (UK) and Britannia Europe are also Members of Britannia Holdings. The Members' Representative Committee sits at Britannia Holdings level in order that it will have an overview of Britannia (UK) and Britannia Europe.

Universal Shipowners Marine Insurance Association Limited (USMIA), the Britannia Group's quota share reinsurance company, is wholly owned by Britannia Holdings. USMIA is registered in Bermuda and regulated by the Bermuda Monetary Authority (BMA) and is a Class 3A insurance company with SII equivalence.

The Britannia Cell in Hydra Insurance Company Limited is wholly owned by Britannia Europe and is registered in Bermuda and regulated by the BMA. Hydra is the IG's Bermudian registered segregated cell reinsurance captive.

The Britannia Group is managed on a day-to-day basis by Tindall Riley & Co Limited (the Managers) and is a private company owned principally by its directors and other senior staff.

The details of the Britannia Group's primary three auditors are as follows:

- Britannia Holdings' external auditor is Deloitte LLP, whose address is 1 New Street Square, London EC4A 3BZ.
- Britannia's external auditor is Deloitte LLP, whose address is 1 New Street Square, London EC4A 3BZ.
- Britannia Europe's external auditor is Deloitte Audit Société à responsabilité limitée, whose address is 20 Boulevard de Kockelscheuer, L-1821, Luxembourg.

## **USMIA**

The Britannia Group reinsures 90% of its P&I and FD&D business on a quota share basis to USMIA. USMIA, which is not a mutual, has an independent Board of Directors responsible for stewardship of the company, and, in particular, for monitoring the operation of the quota share reinsurance and taking investment decisions. Day-to-day management of USMIA is carried out by independent managers, Marsh Management Services (Bermuda) Limited, a specialist captive and investment management company.

USMIA is owned by Britannia Holdings and is a Class 3A insurer regulated by the Bermuda Monetary Authority (BMA).

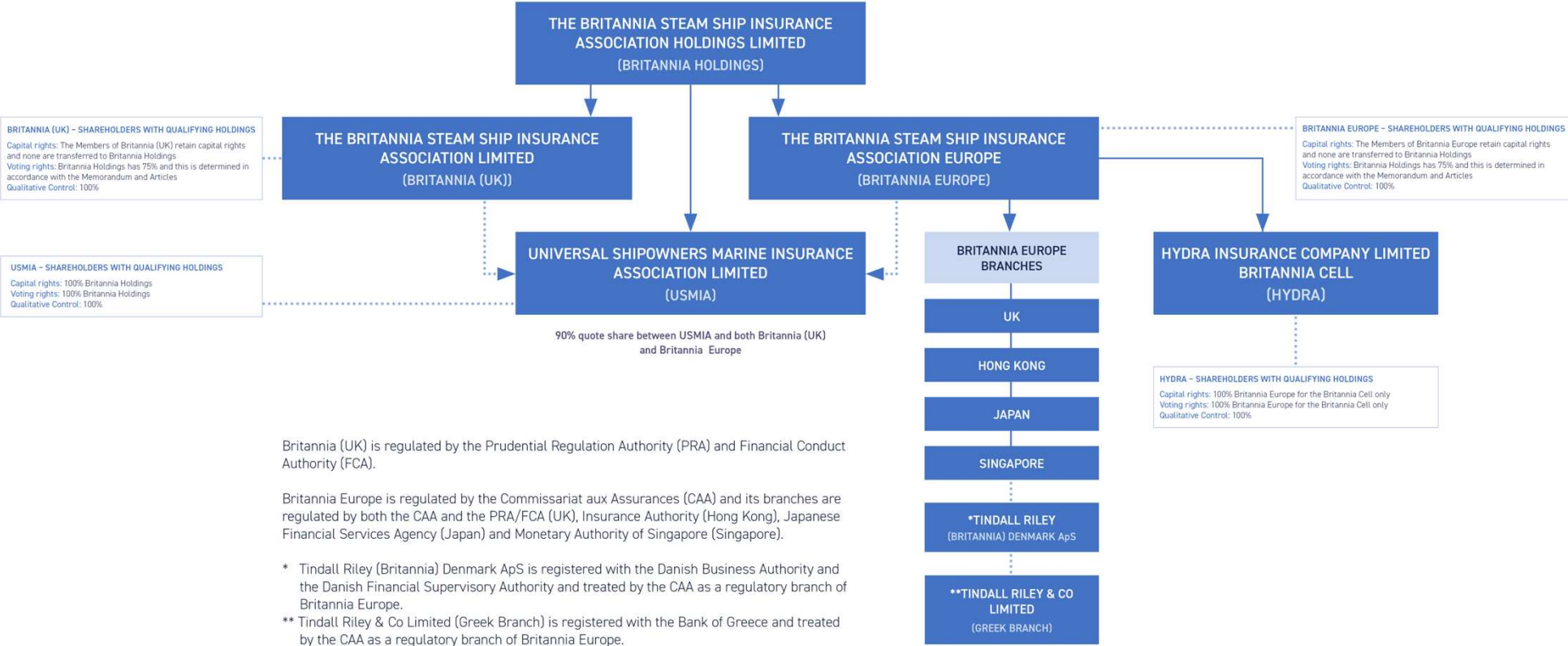
## **Hydra**

Hydra reinsures:

- The Pool's layers from USD30m to USD50m;
- 92.5% of the layer USD50m excess USD50m; and
- The annual aggregate deductible of USD100m in the first layer of the USD650m excess of USD100m layer of the IG's reinsurance contract.

The purpose of Hydra is to enable each club individually to reinsure its exposure to other clubs' Pool claims, in other words its own pooling contributions. In addition, Hydra is used strategically by the IG depending upon reinsurance market conditions and pricing.

# Chart 1: Corporate Group structure at 20 February 2024



**BRITANNIA (UK) - SHAREHOLDERS WITH QUALIFYING HOLDINGS**  
 Capital rights: The Members of Britannia (UK) retain capital rights and none are transferred to Britannia Holdings  
 Voting rights: Britannia Holdings has 75% and this is determined in accordance with the Memorandum and Articles  
 Qualitative Control: 100%

**USMIA - SHAREHOLDERS WITH QUALIFYING HOLDINGS**  
 Capital rights: 100% Britannia Holdings  
 Voting rights: 100% Britannia Holdings  
 Qualitative Control: 100%

**BRITANNIA EUROPE - SHAREHOLDERS WITH QUALIFYING HOLDINGS**  
 Capital rights: The Members of Britannia Europe retain capital rights and none are transferred to Britannia Holdings  
 Voting rights: Britannia Holdings has 75% and this is determined in accordance with the Memorandum and Articles  
 Qualitative Control: 100%

**HYDRA - SHAREHOLDERS WITH QUALIFYING HOLDINGS**  
 Capital rights: 100% Britannia Europe for the Britannia Cell only  
 Voting rights: 100% Britannia Europe for the Britannia Cell only  
 Qualitative Control: 100%

Britannia (UK) is regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

Britannia Europe is regulated by the Commissariat aux Assurances (CAA) and its branches are regulated by both the CAA and the PRA/FCA (UK), Insurance Authority (Hong Kong), Japanese Financial Services Agency (Japan) and Monetary Authority of Singapore (Singapore).

\* Tindall Riley (Britannia) Denmark ApS is registered with the Danish Business Authority and the Danish Financial Supervisory Authority and treated by the CAA as a regulatory branch of Britannia Europe.

\*\* Tindall Riley & Co Limited (Greek Branch) is registered with the Bank of Greece and treated by the CAA as a regulatory branch of Britannia Europe.

## B.2. Underwriting performance

The Britannia Group is recognised for its financial strength, with S&P assigning us AAA capital and exceptional liquidity. This financial strength underpins our ability to successfully navigate an uncertain and changing world to provide the highest level of service to Members.

This strength is built on the solid foundations of a prudent approach to reserving claims liabilities that results in a strong balance sheet and sensible use of Members' capital. This capital strength reassures Members that we will pay their claims when required while looking to return surplus capital to Members whenever possible.

On 26 March 2024 the container ship DALI, which is entered with the Britannia Group, allided with one of the pillars of the Francis Scott Key Bridge, Baltimore at approximately 01:30 local time on its journey from Baltimore to Columbo. The ship's owners and their managers continue to work with the relevant authorities. The exact cause of the incident is yet to be determined and a full investigation has been launched by the National Transportation Safety Board. In allision incidents such as this there is a presumption of liability on the part of the ship, however the quantum of any loss and final liability are yet to be determined. Claims arising from this incident will fall within the 2024/25 policy year.

The insurance position in relation to the DALI is that, in common with all IG P&I Clubs, the Britannia Group uses a combination of its own balance sheet, intragroup reinsurers, Pooling between all 12 IG Clubs and external reinsurers (the General Excess of Loss Contract (GXL)) to fund claims as they fall due. See the Reinsurance section for more details.

Returning to 2023/24, the result for the year is a surplus of USD58.2m, which consists of an underwriting deficit of USD5.3m and an investment return of USD63.5m. The Britannia Group has a strategic goal to return to underwriting balance i.e. an underwriting balance equivalent to a combined ratio of 100%. We continue to use our financial strength to achieve that goal over a sustainable timeline. The combined ratio for the year ended 20 February 2024 is 102% (compared to 107% in 2023 and 116% in 2022). Further progress has been made at the 2024 renewal through a combination of measures e.g. rate increases, changes in deductibles and some targeted remedial action.

Our investment performance was, again, volatile but the return of USD63.5m showed positive contributions from all areas of the portfolio. See the Investment Performance section for more information.

Calls and premiums were USD288.8m (compared with USD258.1m for the prior year). This reflects increased tonnage and the start of the move to achieving underwriting balance. Reinsurance costs were higher, both for the GXL and the other reinsurances bought by the Britannia Group.

Claims incurred in the financial year were slightly higher than the prior year, but the claims ratio showed a pleasing fall from 84% to 80%. Pool claims in the 2023/24 policy year were again light, but in contrast to last year there was no significant deterioration in prior year Pool claims. See the Claims section for more details.

Our expense ratio was 22.2% (down from 22.9%) based purely as a proportion of net premium. This reflects the Board's continued emphasis on providing value to our Members.

The Britannia Group remains in robust financial shape with USD551.3m of free reserves at 20 February 2024. That capital strength enabled the Board to continue to support its membership by declaring in October 2023 a further capital distribution of USD10m.

The following table shows a summary of the technical (underwriting) account for the year ended 20 February 2024.

**Table 1: Underwriting performance**

Sources of income and expenditure	USD'000	USD'000
	2023/24	2022/23
Calls and premiums	288,815	258,140
Reinsurance premiums	(62,602)	(55,164)
Net claims incurred	(181,261)	(169,933)
Net operating expenses	(50,245)	(46,490)
<b>Underwriting deficit</b>	<b>(5,293)</b>	<b>(13,446)</b>

### B.3. Investment performance

The market remains volatile in part due to the ongoing war in Ukraine, the conflict in Gaza, and the difficulties faced by vessels transiting the Red Sea to and from the Suez Canal.

Continuing high inflation and interest rates have also affected economic activity. In 2022, the Board agreed a new investment strategy which has proved to be resilient and adaptable to market movements over the last year.

During 2023, the Board re-examined its investment risk tolerance and the way in which it responds to market movements, both positive and negative. Investment risk tolerance is a forward-looking metric that helps the Board set a long-term investment strategy and asset allocation. The tolerance has been set using a 1 in 10 value in risk over one year to ensure the portfolio can withstand future volatility while maintaining the flexibility to cater for short-term fluctuation. That flexibility enabled the Board to maintain the Britannia Group's financial strength but also take advantage of positive developments in the equity markets and relatively high long-term interest rates. At the same time, we maintained the strategic asset allocation that supports the Britannia Group's financial strength.

The year ended 20 February 2024 was challenging for investment markets but has resulted in a very positive investment return. There were three distinct phases to the year for investment returns:

**PHASE 1** – up until the end of July there were positive returns from all areas of the portfolio, particularly bonds and developed market equities.

**PHASE 2** – from August until the end of October saw flat returns from bonds and equities give up all of the gains from the first phase.

**PHASE 3** – saw strong growth in all areas of the portfolio, particularly equities, on the back of 'the magnificent seven' US tech stocks.

The overall return for the year was USD63.5m or 6.6%. As we head into the new policy year the portfolio is well positioned within the strategic asset allocation to navigate any future turbulence. Longer-term expected returns from the portfolio are now 5.1% pa and reflect the expectation that interest rates will begin to ease in 2024. This return is considerably higher than in recent years and nearer to the returns expected before the 2008 financial crisis.

At 20 February 2024, the portfolio had the following composition:

**Table 2: Investment composition**

<b>Asset class</b>	<b>Proportion %</b>
<b>Matching portfolio</b>	
Absolute Return Bond Fund	10%
Corporate Bonds Fund	11%
Diversified Growth Fund	9%
Emerging Market Equities	2%
Developed Market Equities	11%
Matching Portfolio	57%
<b>Total</b>	<b>100%</b>

#### **B.4. Performance from other activities**

As noted in B.1., the Britannia Group is not involved in any other activities.

#### **B.5. Any other information**

There is not any further information to disclose.



## C. System of Governance

### C.1 General information on the system of governance

#### C.1.1. Overview

##### C.1.1.1. Board structure

###### The Board

Overall responsibility for the management of the Britannia Group rests with the Boards of Britannia (UK), Britannia Europe and Britannia Holdings (the Boards). The constitution of the Boards of Britannia (UK), Britannia Europe and Britannia Holdings is identical, thus ensuring a consistency of approach across the entire business.

All Members of Britannia (UK) and Britannia Europe are also Members of Britannia Holdings. The Members' Representative Committee (MRC) sits at Britannia Holdings level in order that it has an overview of Britannia (UK) and Britannia Europe. The Boards comprises a non-executive chairman, up to eight non-executive directors drawn from the Britannia Group's shipowner Members, three non-shipowner non-executive directors, and two executive directors from the Britannia Group's Managers. The Britannia Group's Boards are responsible for all strategic aspects of the business of the Britannia Group. In practice, the Boards delegate certain of their powers to subcommittees and responsibility for the day-to-day management to the Managers which acts through its subsidiaries Tindall Riley (Britannia) Limited (TRB) in the UK and Tindall Riley Europe Sàrl (TRE) in Luxembourg (together, the Managers).

TRB also acts as the UK branch of Britannia Europe. The Managers are responsible for ensuring that appropriate information, which is adequate to enable the Boards to discharge their duties and to oversee the business effectively, is provided on a timely basis. There are nevertheless a number of matters that are reserved exclusively for decision by the Boards, and these are reviewed and updated at least annually. The Boards meet five times a year.

The Boards' Terms of Reference include details of specific matters reserved for its exclusive decision. These include:

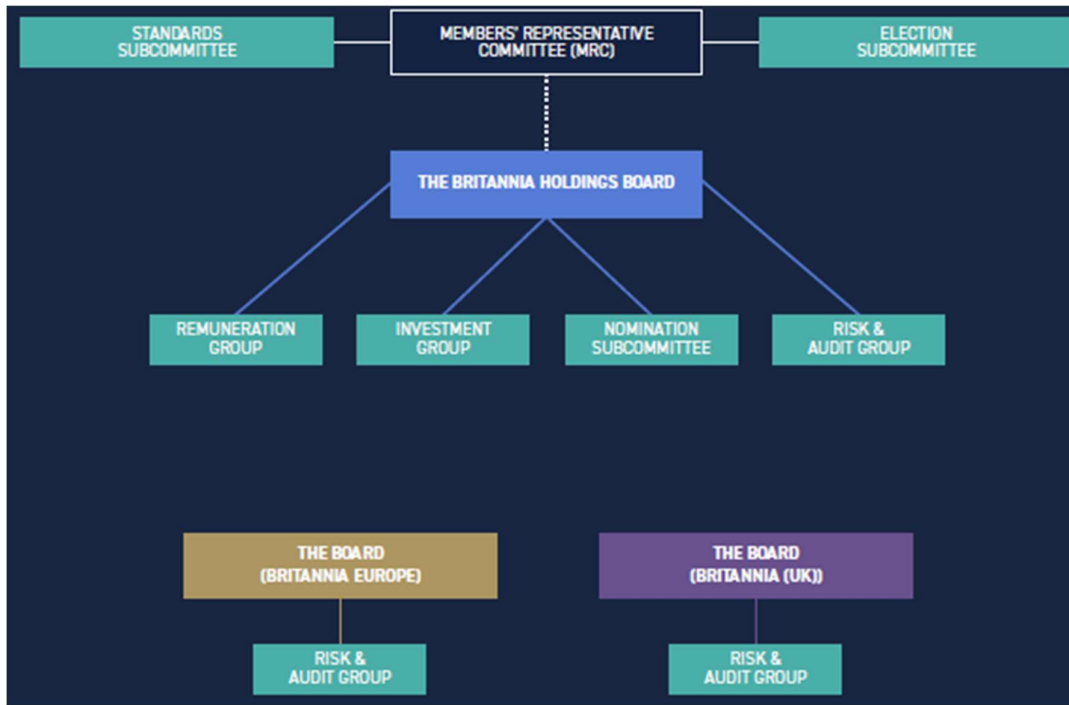
- Overall strategy;
- Investment strategy;
- Reinsurance strategy;
- Financial reporting and controls;
- Economic and regulatory capital;
- Capital calls and distributions;
- System of Governance, Risk Management and Compliance;
- Appointment and remuneration of the Managers; and
- Appointment and remuneration of the Non -Executive Directors

The Boards' Terms of reference are reviewed and updated at least annually. The Boards meet five times a year.

###### The MRC

The MRC is a larger body, comprising all of the directors of the Boards (other than the two Manager directors), plus up to 28 other representatives drawn from Britannia (UK) and Britannia Europe's shipowner Members. The Chairman of the Boards is also the Chairman of the MRC. The MRC does not carry out any regulated functions, but the boards have a duty to consult the MRC on key areas including strategy, investments, finance and call decisions. The MRC does have a key role in the Britannia Group's loss prevention activities, through the Standards Subcommittee, and the consideration of claims trends and industry matters. It also retains the right to approve discretionary claims up to USD2m. The Boards and MRC have appointed a number of subcommittees to assist them in discharging their responsibilities. The corporate governance structure is set out in Chart 2 below.

**Chart 2: The Britannia Group's governance structure**



**Subcommittees of the Board**

There are four subcommittees of the Boards: the Risk & Audit Group (RAG), the Remuneration Group, the Nomination Subcommittee and the Investment Group.

**Risk & Audit Group**

The RAGs of each of Britannia Holdings, Britannia (UK) and Britannia Europe are identical and comprises up to five non-executive directors of the Boards. Its responsibilities include the financial statements and the regulatory returns, the risk management framework, internal and external audit, and the robustness of internal financial systems and controls, including the making of recommendations thereon to the Boards. The RAGs meet four times a year.

**Remuneration group**

The Remuneration Group comprises up to four non-executive directors of the Boards. Its responsibilities include an annual review of the fee paid to the Managers and periodic reviews of directors' remuneration. The group meets twice a year.

**Nomination subcommittee**

This subcommittee consists of up to four non-executive directors of the Boards and the two Manager directors. Its principal responsibilities are to make recommendations to the Boards on the appointment of new directors, the re-election of existing directors, the appointment of the chairman of the Boards, and reviewing the skills, training requirements and performance of directors and Senior Insurance Management Function holders. The subcommittee meets as required during the year.

**Investment Group**

The Investment Group consists of up to four non-executive directors and the two Manager directors. It is responsible for monitoring the long-term performance and value-at-risk of the investments against the objectives set out in the investment strategy and for carrying out periodic reviews of the investment strategy. The group meets four times a year.

## **Subcommittees of the MRC**

### **Election Subcommittee**

The Election Subcommittee's role is to:

- Make recommendations to the MRC in respect of the appointment, re-appointment or removal of Directors of the Boards;
- Make recommendations to the MRC in respect of the appointment, re-appointment or removal of representatives on the MRC; and
- Ensure that the MRC comprises suitably qualified individuals who are of good standing in the insurance and maritime industries and as a body is broadly representative of the Britannia Group's membership in terms of geographical location, ship type and size of fleet.

### **Standards Subcommittee**

The Standards Subcommittee's role is to monitor the composition of the Britannia Group's membership, review loss prevention activities including the condition survey programme, and monitor claims trends. The subcommittee comprises up to five MRC members and three representatives of the Managers, including the Chief Underwriting Officer and the Director, P&I Claims.

The Britannia Group's Boards and subcommittee structure is supported by the effective distribution of responsibilities across holders of Senior Managers Functions (SMFs) and other Key Functions, notified non-executive and independent non-executive directors. The Britannia Group's integrated responsibility and corporate governance model is recorded in its Management Responsibilities Map (see **Appendix B**).

The Britannia Group's website provides details of the roles and responsibilities of the Boards, the MRC and their respective subcommittees (including their individual Terms of Reference), as well as listing the individuals who sit on them:

[www.britanniapandi.com/about/corporate-governance](http://www.britanniapandi.com/about/corporate-governance)

## **C.1.1.2. Key functions**

### **The Managers**

The Britannia Group has no direct employees and as such the Boards rely on the Managers for day-to-day management duties. In accordance with the PRA governance and the Solvency II Directive, the following business functions have been designated as Key Functions: Compliance, Risk Management, Internal Audit and Actuarial. All of these functions are provided by the Managers.

#### *Compliance function*

The Compliance function is responsible for:

- Identifying, assessing, monitoring and reporting on the Britannia Group's regulatory risk exposures;
- Assessing the possible impact of legislative change and conducting assurance activity to monitor the appropriateness of compliance procedures against market good practice; and
- Assisting, supporting and advising the Britannia Group in fulfilling its responsibilities to manage compliance risks.

The Chief Risk Officer (CRO) is responsible for day-to-day monitoring of, and reporting to the Boards on, all compliance related matters.

### *Risk Management function*

The risk management function is responsible for:

- Setting the overall risk management and strategic framework;
- Identifying, managing, monitoring and reporting on current and emerging risks; and
- Monitoring and assisting in the effective operation of the Britannia Group's risk-management framework and maintaining an accurate view of the Britannia Group's risk profile.

The CRO manages the day-to-day risk monitoring of, and reports to the Boards on, all aspects of risk management.

### *Internal Audit function*

The Britannia Group's internal audit function operates a risk-based internal audit cycle to provide assurance over the appropriateness, operation and effectiveness of the system of governance including the internal control system.

Internal Audit's remit covers review of the Britannia Group's processes and controls, how these are being adhered to and implemented by all business areas and the timing and frequency of management reporting. Corporate governance is also subject to an annual review by internal audit.

The Head of Internal Audit reports findings and recommendations, deadlines for and progress with completion and assigned action owners to the RAGs.

### *Actuarial function*

The Britannia Group has an in-house actuarial team which carries out the day-to-day actuarial activity, including claims reserving and maintenance of the Britannia Group's internal models. The formal regulatory role of Chief Actuary Function under Article 48 of the Solvency II Directive – to report formally to the Boards on technical provisions, reinsurance and underwriting policy - is carried internally. The Chief Actuary is an employee of the Managers.

### *Segregation of responsibilities*

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

### **The Investment Managers**

Investment of the Britannia Group's funds is conducted by the Investment Managers in accordance with the Britannia Group's Investment Policy and is subject to internal compliance procedures.

## **C.1.2. Material changes to the system of governance**

There have been no material changes to the system of governance during the last financial year.

## **C.1.3. Remuneration**

### **Remuneration policy and practices**

The Britannia Group has a Remuneration Policy which sets out the principles and procedures under which the Remuneration Group operates.

All the Britannia Group's key functions and services, with the exception of its Non-Executive Directors, are provided by the Managers or a third party appointed by the Managers (and approved by the Boards).

## **Managers' Remuneration**

The Managers are paid a Management Fee by the Britannia Group under the terms of the Management Agreement between the parties.

The Remuneration Group sets the fee in accordance with the Management Agreement's management fee formula. In addition, 10% of the fee is awarded based on the achievement of an agreed set of KPIs. The fee is paid on a quarterly basis and there is no element of it that is variable by reference to the Britannia Group's financial performance.

## **Remuneration of the Directors**

The Britannia Group's Chairman and two non-executive directors receive a fixed fee paid monthly in arrears. Other non-executive directors (except for the two Manager directors) receive a fee per meeting attended, with the Chairman and members of the RAGs receiving additional fees for attending the meetings of the RAGs. These fees are paid in arrears at the end of each financial year. Members of the MRC receive a fee per meeting attended. The level of remuneration is considered annually by the Remuneration Group, which makes recommendations to the Boards.

The only variable component of the remuneration is that linked to attendance at meetings, but as noted above, this variable element is not available to the Chairman of the Britannia Group and the Senior Independent Director. The two Manager directors receive no remuneration directly from the Britannia Group but are remunerated by the Managers.

No remuneration paid by the Britannia Group to its non-executive Directors is based on the performance of the Britannia Group.

### **C.1.4. Related party transactions**

The Boards, comprising the Chairman, up to ten representatives of the membership of the Britannia Group and two Manager nominees, is appointed to oversee the management of the Britannia Group on behalf of the Members. However, because of the mutual nature of the Britannia Group, all Members, being both insurer and insured, are in effect related parties.

The Britannia Group companies, which are limited by guarantee, has no share capital and is controlled by the Members, who are also its insureds. All Members enter into insurance contracts negotiated with the Britannia Group's managers on arm's length terms. These transactions are therefore with related parties and are the only transactions between the Britannia Group and its Members.

## **C.2. Fit and proper requirements**

The Britannia Group has well established procedures in place to ensure that all controlled function holders remain fit and proper to carry out their duties and to discharge their responsibilities. In particular these individuals must:

- Meet the requirements of the Regulators' 'fit and proper' test and follow its principles;
- Comply with the Statement of Responsibilities; and
- Report anything that could affect their ongoing suitability.

When considering an individual's fitness and propriety the following are considered:

- Their competence and capability;
- Their integrity and reputation; and
- Their financial soundness.

When assessing an individual's competence and capability to take on a controlled function role, all relevant matters are considered prior to their appointment. These include a review and assessment of:

- The competencies and capabilities required to fulfil the intended role. This is assessed throughout the recruitment process, particularly through interviews;
- The experience of the candidate and any additional training required; and
- Whether the candidate's reputation would suit the role for which they are being considered, bearing in mind the factors set out within the on fitness and propriety.

Fitness and propriety checks are made before an individual is appointed to carry out a controlled function and periodically thereafter. These include:

- With the knowledge and agreement of the candidate, the completion of civil and criminal checks through the use of a third-party provider;
- Checking the veracity of any professional or other qualifications that are relevant to the role being applied for;
- Obtaining references from the candidate's former employers; and
- Consideration of any disclosures made by candidates (full supporting documentation will also be requested).

In determining a candidate's financial soundness, the following factors will be taken into account:

- Any judgment debt or award in the United Kingdom or elsewhere;
- Whether this remains outstanding or was not satisfied within a reasonable period; and
- Whether the individual has made any arrangements with creditors, filed for bankruptcy, had a bankruptcy petition served on them, been the subject of a bankruptcy restriction order or any other related matter.

As noted in section C.1.1.1, selection of suitable Member Representatives for the MRC requires additional consideration of a candidate's location, ship type and size of the fleet to ensure that, as a body, the profile of the MRC membership is consistent with that of the wider Group.

Prior to consideration for appointment, all new Member Representatives of the MRC and directors of the Britannia Group complete a self-assessment of their skills, experience and capabilities relative to the responsibilities assigned to them under the new role. The results, which are added to the Skills Matrix maintained for all MRC representatives and directors, are reviewed by the CRO, discussed as necessary with the individuals concerned and fed into individual training and further recruitment plans.

Refer to **Appendix A** for a listing of the persons of the Britannia Group that are responsible for the key functions.

### **C.3. Risk management system**

The oversight of risk and the underlying corporate culture is fundamental to the future operations and success of the Britannia Group. It is an integral part of this approach that each individual is aware of the Britannia Group's aims and objectives and how they are achieved. The Boards have a clear responsibility to understand the risk management activities of executive management.

It is a primary function of the Boards and senior management to establish the Britannia Group's risk appetite and tolerances and to put in place the philosophy, structures, tools and methods to drive the risk management approach throughout the Britannia Group. It is vital in the discharge of its governance responsibilities that the Board understands inherent risks and the way these are measured, monitored, assessed and mitigated by management.

Exposure to these risks is monitored against the Boards approved risk appetite; recorded as a set of qualitative statements and quantitative thresholds defining the type and level of risk that the Boards are prepared to accept in order to deliver its business strategy.

The risk appetite, which underpins the Britannia Group's three-year projected business plans, is used to assess and report to the RAGs and to the Boards current, mid-term and emerging risks to the business on a quarterly basis. To augment the Britannia Group's ongoing risk monitoring and reporting processes, the CRO conducts an annual review of its risk management system and more frequently if there are major changes in the risk profile of the business. Findings and recommendations arising from this review are also reported to the RAGs and to the Boards.

The Britannia Group's risk management system allows the Boards and the senior management team to review and challenge credible risk information and make informed decisions about the risk profile of the business.

The RAGs has delegated responsibilities from the Boards to oversee the Internal Control Framework including the oversight of Internal Audit, External Audit and Financial Reporting.

All individuals involved with business operations that allow the Britannia Group to manage risk, including control owners, are expected to be aware of the Britannia Group's approach to risk management. This is also the expectation of regulators and so those individuals that lead risk assessments or manage material controls or outsourced activities are considered by the Britannia Group to be certification functions (roles that could cause significant harm) and are consequently subject to enhanced due diligence by the Managers.

### **Key Risks and Mitigants**

The key risks faced by the Britannia Group and the associated mitigants will be as follows:

#### **Underwriting Risk**

Underwriting risk which arises from two sources – adverse claims development (reserve risk) and inappropriate underwriting (premium risk). Reserve risk is managed by the Britannia Group's policy of setting prudent reserves for individual claims (evidenced by the release of redundant reserves shown in the financial statements) and frequent reviews of estimates, including oversight of large claims by senior claims directors. Prudent IBNR reserves are also maintained at confidence levels consistent with the Britannia Group's risk appetite.

Premium risk is managed by having in place a clear underwriting philosophy, procedures and controls in relation to pricing, rigorous selection criteria for the admission of new Members and diversification of risks. Reinsurance is also used to mitigate underwriting risk. Reinsurance may also be used in respect of certain risks where additional protection is deemed appropriate.

#### **Market Risk**

Market risk refers to the risk of losses on the Britannia Group's' investment portfolio arising from fluctuations in the market value of the underlying investments. There is a clear investment strategy which is subject to regular review. The principal objectives are to match investments with the claims' liabilities in terms of duration, to hold a diversified portfolio of investment types with high quality fixed interest government securities and hold appropriate levels of corporate bonds and equities and, within that overall context, to maximise the return generated at an agreed level of risk.

#### **Credit Risk**

Credit risk arises from the possibility of default by one or more counter-parties which may include, reinsurers, deposit takers and Members. This risk is managed by undertaking appropriate due diligence on prospective counterparties. This may include carrying out financial checks on prospective Members, looking at credit ratings for reinsurers and monitoring these over time, restricting exposure to individual deposit takers and operating a robust credit control regime.

## Operational Risk

Operational risk covers the risks arising from the failure of internal processes, people or systems or from external events. A comprehensive Procedures Manual covers every aspect of management of the Britannia Group.

## Risk Management Framework

The risk management framework helps the Boards deliver the Britannia Group's strategic objectives; it is managed by the Risk function and overseen by the Boards.

The Risk function is responsible for:

- Identifying, managing, monitoring and reporting on current and emerging risks;
- Setting the overall risk management and strategic framework; and
- Monitoring and assisting in the effective operation of the Britannia Group's risk management framework and maintaining an accurate view of the Britannia Group's risk profile.

The Britannia Group's risk management policy sets out how the risk management framework supports the principles and characteristics of the Britannia Group when managing its strategic objectives, risk appetite and capital needs along with the necessary supporting culture. The policy also sets out how operational elements are devolved to the Managers while oversight is retained by the Directors.

The Britannia Group exists to benefit its Members which requires maintenance of financial strength to ensure that claims can be met in extreme circumstances and that unbudgeted Calls are not required. The Britannia Group needs to be measured when taking, managing and monitoring risks that pose a threat to its longevity, strategic objectives and capital position.

It is important that the Britannia Group's risk management framework considers:

- The wider risks to its Members business model as well as the more traditional risk management considerations expected from insurers under Solvency II;
- A proportionate approach to risk management that is reflective of the nature, scale and complexity of the Britannia Group's operations, especially considering the monoline nature of its business; and
- Transparency and accountability between the Britannia Group and the Managers.

This policy sets out a number of standards that help the Britannia Group achieve these targeted outcomes:

- **Identify** - Maintain a risk register of all significant risks to the Britannia Group aligned with one of the available risk categories and the "material" / "important" controls that are used to manage these risks. Ensure completeness of the risk universe and the controls environment, regularly back testing against results and reviewing risk incidents. The main management tool used by the Britannia Group to assist in assessing the systems and controls is a comprehensive risk register.
- **Assess** - Assess the impact of all risks in the Risk Register at the 1-in-10 and 1-in-200 confidence level using a score of 1 - 5. Assess the effectiveness of the controls supporting risks (through self-attestation).
- **Monitor** - Measure the current risk exposure against the Boards' risk appetite as set out in the Risk Appetite Statements and as devolved into Risk Limits, Key Control and Key Risk Indicators.
- **Respond** - Where there are instances of risk taking outside the Boards' expectations (outside risk appetite), ensure Board approved remediation actions are executed in a timely manner.
- **Report** - Report exceptions to the Boards where the risk profile is outside the Boards' Risk appetite or material controls are not operating in line with expectation. The reporting should also consider risk incidents, emerging risks and updates on remediation actions. At least annually, prepare an Own Risk and Solvency Assessment (ORSA) report, summarising the results of all risk management activities (ORSA process).



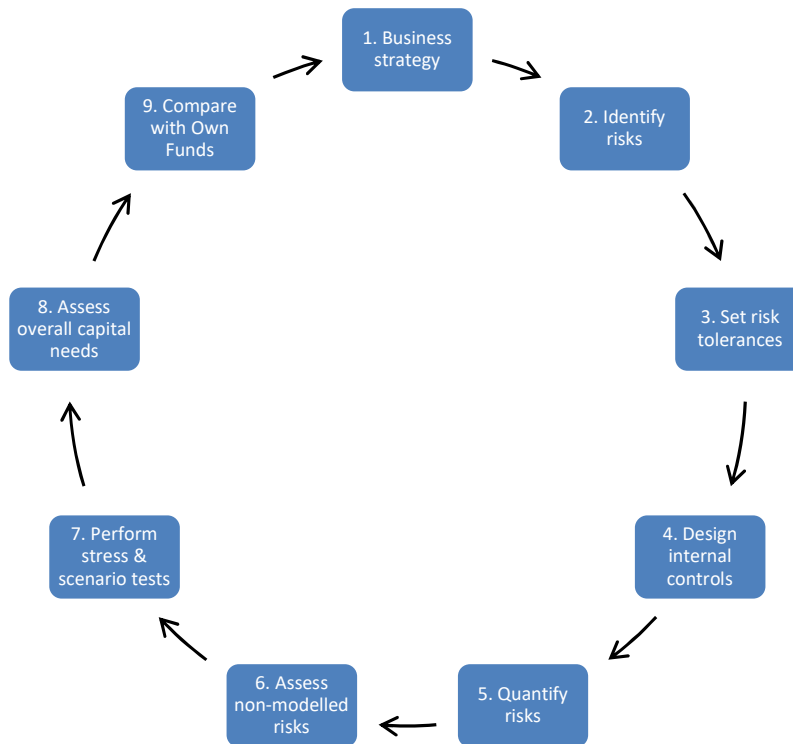
- **Risk Incidents** - Capture all risk incidents (unexpected events that cause, or nearly cause, a financial or reputational impact due to a failed control or unforeseen exposure) and update the processes and control environment in order to avoid repetition.
- **Emerging risks** - Be forward looking in our risk identification and consider risks that may emerge for the business due to internal or external change.

### C.4. Own Risk and Solvency Assessment (ORSA)

The ORSA is carried out in accordance with the Britannia Group’s ORSA Policy (the Policy). The policy sets out required standards and guidance for conducting the ORSA process and reporting to ensure all relevant regulatory and business requirements are continuously met. The purpose of the policy is to assist the Boards in implementing consistent processes to demonstrate the link between business strategy, risk appetite, risk profile and solvency needs. The Policy is reviewed and approved by the Boards.

The ORSA process, which incorporates the risk monitoring and reporting activities performed by the Britannia Group’s Key Control Functions, operates continuously throughout the year as part of day-to-day business operations. Outcomes of the process and conclusions drawn are recorded in an annual report presented to and signed off by the Boards. Key steps within the ORSA process are set out in chart 3 below.

**Chart 3: Summary of ORSA process**



From a strategic perspective, the annual ORSA report provides the Boards with a comprehensive assessment of the capital required to meet the Britannia Group’s strategic objectives over the next three years, based its projected business plan and the risk profile it generates. From an operational point of view, ORSA processes and results are used to inform and support the Boards when making key decisions, for example on calls on Members, capital distributions, pricing, reinsurance purchase and investment strategy.

The 2023 ORSA includes an assessment of both the economic and regulatory capital position of the business for the next three years as at 20 February 2024 by reference to the Economic Capital Benchmark (ECB), Solvency Capital Requirement (SCR) and Minimum Capital Requirements (MCR).

The ECB defines the amount of capital that must be held to implement the business strategy for the next three years to cover the risk of losses from all potential sources that exceed risk appetite up to the 99.5th level of confidence.

The SCR defines the amount of capital that the Britannia Group must hold to satisfy regulatory requirements. The benchmark set for the SCR is also at the 99.5th level of confidence but measured over a one-year period.

The MCR, which represents the absolute minimum level of capital that the Britannia Group entities must hold to avoid regulatory action, is also measured over a one-year period but reflects the 85th level of confidence.

The Britannia Group has used the Solvency II Standard Formula to calculate its SCR and MCR.

The annual ORSA report is reviewed by the Boards to ensure that it is accurate and provides the necessary information for capital allocation and strategic planning purposes. Once the Boards are satisfied, it approves the report which is then submitted to the PRA and other relevant regulators who require a copy of the ORSA.

The ORSA report is produced annually, which is consistent with the stable nature of the Britannia Group's capital needs over time. The ORSA may be undertaken more frequently if specific triggers occur which are set out in the Policy. However, none of these events has occurred since the last ORSA was prepared.

## **C.5. Internal control system**

The Britannia Group's internal control system refers to a combination of activities carried out to eliminate or reduce the likelihood of risks materialising that are beyond the level of risk appetite considered within business plans and strategy.

Activities include:

- Control management undertaken by the business, including quarterly control attestations provided to the CRO. Each identified control owner attests to the performance and effectiveness of their control environment over the quarter. The CRO reports the results and any associated recommendations to the quarterly meeting of TRB and TRE and to the RAGs at each meeting;
- Annual review and re-assessment of the Britannia Group's key risks by relevant risk owners, independently challenged by the CRO and reported to TRB and TRE quarterly and to the RAGs;
- Annual stress and scenario testing (including reverses stress tests) of the assumptions within the business plan to determine the financial, reputational, operational and capital impact of extreme adverse events. An agreed set of tests relevant to the Britannia Group's business plan and strategy are run by relevant members of the Finance and Actuarial Functions, reported to the CRO and included within the annual ORSA report;
- Annual review and assessment of the effectiveness of the Britannia Group's risk management framework by the CRO;
- Regulatory guidance, 'horizon scanning', recording and quarterly reporting of operational losses (actual, potential and near misses) and compliance breaches to the Boards;
- Quarterly compliance monitoring and reporting to TRB, TRE, the RAGs and Boards; and
- Independent assurance reviews conducted by Internal Audit.

Where control deficiencies exist, remedial actions, the person responsible for taking them and the timeframe within which the control deficiency will be addressed, are recorded and monitored by the CRO.

The Britannia Group is required to establish and implement the compliance activities necessary to demonstrate that it meets its regulatory expectations. These activities should be proportionate to the nature, scale, risk and complexity of the business.

There are seven key areas in which the Compliance Function operates:

1. Advisory
  - Active engagement with the Britannia Group to identify and advise on regulatory matters, whether internally or externally generated, to mitigate regulatory risk including financial crime risk and support business objectives; and
  - Proactive involvement in new strategic initiatives to provide guidance on regulatory matters.
2. Horizon scanning
  - Interpreting and communicating new or revised regulations;
  - Assessing and reporting the potential impact of these changes and proposing amendments to processes to meet requirements;
  - Identifying and evaluating compliance risk to the Britannia Group's strategic plans and business transactions; and
  - Regularly reviewing sources of emerging risk, maintaining a record within the emerging risk log, noting any potential impact and action planned or taken to avoid or mitigate the risk of loss.
3. Incident management
  - Coordinating the management and recording of any regulatory breaches and financial crime incidents, liaising between all relevant stakeholders to bring matters to a satisfactory conclusion;
  - Advising on remedial action for the business to take to reduce the impact and avoid re-occurrence; and
  - Undertaking incident root cause analysis as required.
4. Regulatory relationship management
  - Acting as the primary contact point between the Britannia Group, its regulators (in the UK, Luxembourg and in other territories as necessary) and other relevant authorities such as law enforcement agencies, to facilitate and assist with the management of those relationships; and
  - Acting as a portal for routine communication and contact between the Britannia Group and its regulators, managing responses to information requests outside standard regulatory reporting.
5. Compliance training
  - Providing direction, education and formal training on compliance and regulatory matters; and
  - Monitoring staff completion of mandated compliance and financial crime training.
6. Reporting
  - Reporting on Regulatory and Financial Crime matters to the Boards and other relevant stakeholders; and
  - Providing input to and co-managing, with Finance, external regulatory reports.
7. Oversight and assurance
  - Assessing and monitoring compliance across the business using agreed indicators and reporting the results to the RAGs and to the Boards;
  - Conducting investigations and process reviews where regulatory controls are found to be weak or not consistently applied; or in response to demands by the regulator or at the request of management; and
  - Overseeing projects to implement operational changes within the business in order to comply with new or revised regulations.

The key elements of the compliance system are:

- Identifying internal (following projects) and external change (horizon scanning) to the status quo;
- Assessing the updates required from time to time to compliance activities;
- Monitoring the effectiveness of the compliance activities as part of the compliance dashboard; and
- Responding to exceptions in a timely manner through appropriate management action.

## C.6. Internal audit function

Internal Audit, provided by the Managers on behalf of the Britannia Group, provides independent assurance, advice and insight to the Boards, designed to add value to the business and improve its operational effectiveness. It helps the Britannia Group to accomplish its objectives by bringing a systematic, disciplined approach to the evaluation of the effectiveness of its governance, risk management and control processes.

The Internal Audit Function is governed by written Terms of Reference (TOR), setting out the function's role, mandate, independence and authority to act. The internal audit function is responsible for preparing:

- An internal audit universe based on the risks within the Britannia Group's risk register;
- A five-year strategic internal audit plan using a risk based approach for the timing and frequency of intended reviews; and
- An annual internal audit programme taking into consideration previous audit findings or those arising from compliance monitoring activities; the occurrence and cause of material unexpected losses, regulatory breaches or incidents involving financial crime as well as in response to feedback from regulators and management.

The internal audit universe and the annual internal audit programme are presented annually to the RAGs.

The Head of Internal Audit and holder of the associated regulatory role for the Britannia Group under the Senior Managers Regime, reports all findings and recommendations arising from the review work performed to the RAGs at each meeting and has regular discussions with the chairman of the RAGs between meetings. Included within the Head of Internal Audit's reports is an update on the implementation by assigned individuals of previous recommendations. Material issues not addressed within agreed timescales are escalated to the Boards.

The Internal Audit Function has no direct operational responsibility or authority over any of the activities audited and is not permitted to implement internal controls, develop operational procedures, prepare records or engage in any other activity that may impair its judgment. The Head of Internal Audit is obligated to report to the RAGs any interference and related implications in determining the scope of internal audit reviews, performing work and communicating results.

The internal audit function is independent from the organisational activities audited and free to exercise its assignments without impairment and on its own initiative in all areas. The internal audit function reports directly to the Chair of RAGs.

## C.7. Actuarial Function

The Britannia Group's Actuarial Function is made up of an internal actuarial team employed by the Managers. The Chief Actuary is an employee of the Managers.

The Function's organisation is designed to provide the Britannia Group with the necessary 'Approved Person' role and flexible actuarial support, whilst enabling the Britannia Group's Managers to maintain operational control of the work performed.

The internal actuarial team report to and are managed by the Britannia Group's CFO. The Function has responsibilities for the calculation of the Britannia Group's reserves and Solvency II technical provisions, its capital modelling, risk pricing and for providing analytical support to underwriters.

In accordance with Article 48 of the Solvency II Directive, The Chief Actuary has four main duties:

- To assess the appropriateness and adequacy of the Britannia Group's Solvency II technical provisions;
- To provide an opinion on the underwriting policy;
- To provide an opinion on the adequacy of reinsurance arrangements; and
- To contribute to the Britannia Group's risk management.

## C.8. Outsourcing

Outsourcing is the use of a third party (either an affiliated entity within the same group or an external entity) to perform activities on a continuing basis that would normally be undertaken by the Britannia Group. The third party to whom an activity is outsourced is a 'service provider'.

The Britannia Group's approach to outsourcing is governed by the principles and standards set out in its Outsourcing Policy. The policy acts as a guide to the Managers for assessing the materiality of risks associated with outsourcing any given activity or service and the steps that must therefore be taken to mitigate and manage this risk effectively.

The policy establishes two fundamental principles:

- That the decision to outsource activities assessed as Critical (C) or Important (I) to the Britannia Group will be reserved for the Board; and
- The control framework through which outsourcing benefits and risks are assessed, controlled and monitored will be sufficiently robust to ensure that the Britannia Group's outsourcing arrangements will give advantage in practice.

Outsourcing is categorised under Solvency II as C or I if it would jeopardise adherence to the regulators' Threshold Conditions, which are required for the Britannia Group to maintain its regulatory authorisation.

The assessment of materiality determines at the outset whether the nature of the outsourced arrangement will make it C or I, after which the same stages for approval will be followed, although proportionate to the nature and materiality of the activities to be outsourced.

The starting point is to compare the potential benefits with the foreseeable risks, to see whether there is sufficient value in the proposition to go through a tender process. The scoring used in this viability check to assess whether the benefits outweigh the risk, is set out as an appendix to the Outsourcing policy.

Where the viability check is passed, the Business sponsor will arrange for specific due diligence on a number of providers before presenting a value proposition and preferred service provider to either the Managers' Board or, for C and I arrangements, the Boards of the Britannia Group, for consideration and approval. The necessary due diligence, minimum contractual terms and approval process to be followed are set out in various appendices to the Outsourcing policy and designed to ensure that:

- Adequate review and assessment has been carried out on the impact of the outsourcing on the Britannia Group's risk profile and contingency plans in the event of service failure by the selected provider;
- The selected service provider has the ability, capability and legal authority to meet the Britannia Group's business requirements and is free of any conflicts of interest relevant to the outsourcing;
- The service provider is financially sound, professionally competent, appropriately experienced and has adequate insurance cover to meet its contractual obligations;
- Contracts between the service provider and the Britannia Group setting out the duties and responsibilities of both parties, are signed-off by appropriately authorised signatories and comply with all relevant legal and regulatory requirements;
- Control mechanisms established by the Managers for monitoring the performance and quality of services provided by a third party are commensurate with the nature and materiality of the risk to which they expose the Britannia Group; and

- The outsourcing does not impair the Britannia Group's systems of governance or increase the level of Operational risk.

The Britannia Group's C and I outsourcing arrangements relate to:

- the appointment of its Managers (London and Luxembourg); and
- the management of its investments by Schroders (London and Luxembourg)

The Boards bear ultimate responsibility for outsourced functions, services, or activities and related governance.

### **C.9. Adequacy of system of governance**

The Boards consider that the System of Governance is appropriate for the nature, scale and complexity of the inherent risks facing the Britannia Group.

### **C.10. Any other information**

The Britannia Group considers no other information material to be disclosed.

## D. Risk profile

The Britannia Group is focused on the identification and management of exposure to risk through its core activity as a provider of insurance services. The key areas of risk faced by the Britannia Group can be classified as follows:

- Underwriting risk – incorporating premium and reserving risk;
- Market risk – incorporating equity risk, interest rate risk, spread risk and currency rate risk;
- Counterparty default risk – being the risk that a counterparty is unable to pay amounts in full when due;
- Liquidity risk - being the risk that cash may not be available to pay obligations as they fall due;
- Operational risk – being the risk of failure of internal processes or controls;
- Climate change risk – being the risk of higher claims and poor investment performance due to climate changes; and
- Group risk – being the governance, capital, reputational or regulatory issues that can arise from having a Group structure.

The Britannia Group manages these risks through the quarterly Risk Register update, which uses metrics to monitor risk outcomes and control effectiveness and receives attestation on less significant controls from Risk Owners. Risk outcomes are compared to the results of the Britannia Group's SCR, outcomes of stress and scenario testing, self-reported Risk Incidents and Internal Audit findings to ensure that a rounded consideration of the Britannia Group's risk profile is provided to TRB and TRE each quarter and to the RAGs and the Boards.

The assumptions underlying the Britannia Group's standard formula SCR are considered to be a good fit with its risk profile, noting that Group and Strategic risk capital is captured within operational risk and liquidity risk is incorporated within market risk.

The Britannia Group's standard formula SCR risk profile as at 20 February 2024 is as follows:

**Table 3: Split of SCR by risk category**

<b>Key areas</b>	<b>% of SCR</b>
Underwriting risk	53.0%
Market risk	36.1%
Counterparty default risk	4.3%
Operational risk	6.6%

### D.1. Underwriting risk

The Britannia Group's exposure to Underwriting risk is managed through the underwriting process, acquisition of reinsurance cover, cover provided by the IG Pooling Agreement, the management of claims costs and the reserving process. Underwriting risk exposure arises from the Britannia Group's two classes of business, P&I and FD&D, which are written on a worldwide basis.

#### **Underwriting process**

The Britannia Group provides Members with cover for P&I and FD&D risks. The Britannia Group Board set a projected level of Net Combined Operating Ratio and the underwriters renewed / wrote business against this overall target. The development of claims is monitored monthly by the Managers and on a quarterly basis by TRB and TRE and the Boards.

## **Reinsurance and International Group Pooling Agreement**

The establishment of the Britannia Group's reinsurance programme is driven by the Boards' objective of managing risk to an acceptable level and to optimise the Britannia Group's capital position. The programme comprises excess of loss reinsurance cover purchased jointly with other members of the IG, reinsurance to cover specific risks, cover against a single catastrophic event and an accumulation of smaller attritional claims.

The IG Pooling Agreement provides a sharing of claims costs above an agreed retention between the 12 member associations.

The Britannia Group's chartered business is reinsured outside the IG Pooling arrangements. The programme is predominantly placed with Lloyd's underwriters and the liabilities from these risks are reinsured from the ground up, with the Britannia Group retaining a certain element of the risk.

## **Management of claims cost – Loss Prevention**

The Britannia Group's strategy is to help its Members to prevent and avoid the occurrence of incidents while ensuring the efficient handling and management of claims when they do occur. To facilitate this strategy, the Britannia Group has established programmes to ensure high levels of claims management and to reduce claims risk. This includes an extensive loss prevention programme comprising technical seminars for crew, information for Members on common claims and how they may be prevented, root cause analysis of major incidents, completion of ship inspections and the production of various guides for safe carriage of goods and the avoidance of incidents.

## **Reserving process**

The Britannia Group establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions and the key methods used by the Britannia Group in estimating liabilities are the Chain ladder, Bornhuetter Ferguson and Stochastic bootstrap modelling methods. The results are presented to the Britannia Group's Reserving Group, which meets at least twice a year in order to review and challenge the setting of reserves, and then reviewed by the RAGs. In order to minimise the risk of understating these provisions, the assumptions made, and actuarial techniques employed are reviewed in detail by senior management and reserves are set to meet a given level of confidence that they will prove adequate.

The Britannia Group considers that the liability for insurance claims recognised in the consolidated statement of financial position and the Solvency II balance sheet are appropriately recognised, with the understanding that actual experience will differ from the expected outcome.

## **D.2. Market risk**

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

The investment strategy, which is reviewed periodically, is set by the Boards with the assistance of external investment consultants. The strategy reflects the risk appetite of the Britannia Group and is designed to maximise return while holding risk to a level deemed acceptable. The policy allows the investment managers to invest a proportion of the portfolio in assets which carry a greater risk but potentially higher return (the growth portfolio), such as equities, with the majority in lower risk investments that match liabilities and provide a cash buffer (the matching portfolio).

The asset allocation of the investment portfolio is monitored by the Managers. Where an asset class exceeds its permitted range, the investment managers will be instructed to carry out a rebalancing exercise, in order to restore the allocation to the correct position.



### **The prudent person principle**

Under the Britannia Group's investment policy, all of its investments are invested and managed in accordance with the 'prudent person principle', meaning the duties of the Investment Managers are discharged with the care, skill, prudence and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise of like character and aims. More specifically the portfolio:

- Is invested in assets and instruments whose risk can properly be identified, measured, monitored, managed, controlled and reported;
- Ensures the security, quality and liquidity of the portfolio as a whole;
- Is appropriate to the nature, currency and duration of the Britannia Group's insurance liabilities;
- Includes derivative instruments only where they contribute to a reduction of risks or efficient portfolio management; includes only a prudent level of unlisted investments and assets;
- Is diversified to avoid excessive reliance on any asset, issuer or group, or geographical area.

The funds are invested by the Investment Managers in accordance with parameters set by an Investment Mandate. The Investment Mandate provides a framework to the Investment Managers for the management and stewardship of the investment assets in conformity with the business and investment objectives and sets the parameters within which the Britannia Group's assets may be invested. It is considered and approved by the Boards on an annual basis and ad hoc as required and is subject to the Britannia Group's Investment Policy. A selection of Investment Managers report to the Investment Group at each meeting with a report presented to the Boards of those presentations at each meeting of the Boards.

### **Foreign currency risk**

The Britannia Group is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than US dollars. The most significant currencies to which the Britannia Group is exposed are sterling, euro and yen. In order to manage this risk, the Britannia Group holds a proportion of its investments in each currency at a level to match expected future claim payments in those currencies.

The value of the assets held in foreign currency generally exceeds the value of the matched liabilities and therefore there is only a low risk that unmatched liabilities will lead to currency losses.

### **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market rates. Interest rate risk arises primarily from the nature and term of investments held and is managed through the buying and selling of appropriate fixed interest securities of different durations.

The Britannia Group uses a number of sensitivity management tools to understand the volatility of surpluses/deficits.

### **Equity price sensitivity analysis**

The Britannia Group is exposed to price risk through its holding of equities. This exposure is limited to a maximum proportion of the overall portfolio. At the year end the holding in equity instruments amounted to 14% (2023 – 16%) of the investment portfolio. The Britannia Group also holds an investment in a diversified growth fund amounting to 9% (2023 – 10%) of the portfolio.

Where available, the Britannia Group uses closing bid market values to determine the fair value of an investment holding.

## **D.3. Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Britannia Group.

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

- Amounts recoverable under reinsurance contracts, including other P&I Clubs;
- Amounts due from Members; and
- Counterparty risk with respect to cash and investments.

#### **Amounts recoverable on reinsurance contracts**

The Britannia Group is exposed to credit risk from a counterparty failing to comply with its obligations under a contract of reinsurance. In order to manage this risk, the Managers consider the financial position of counterparties on a regular basis and monitors aggregate exposure to each reinsurer. The Britannia Group has set selection criteria whereby each reinsurer is required to hold a credit rating of at least "A-" at the time the contract is made. The majority of reinsurance is placed with Lloyd's underwriters (AA rated) with the benefit of the Central Fund. Non-Lloyd's reinsurance is monitored and reported on annually to the Boards of the Managers.

#### **Amounts due from Members**

Amounts due from Members represent premiums owing to the Britannia Group in respect of insurance business written. The Britannia Group manages the risk of Member default through a screening process to ensure the quality of new entrants to the Britannia Group and the ability to cancel cover and outstanding claims to Members that fail to settle amounts payable. The Britannia Group's policy is that Members should have paid all outstanding calls prior to being issued with Blue Cards in advance of the coming policy year. In addition, the Britannia Group has the right to offset outstanding debts against claim payments unless there is a contractual arrangement that prevents such offsetting. The Managers' Creditworthiness Group monitors the membership by reference to credit reports, aged debt analysis and market commentary. Amounts written off as bad debt have been minimal over recent years.

### **D.4. Liquidity risk**

Liquidity risk is the risk that cash may not be available to pay obligations as they fall due at a reasonable cost. The Britannia Group has adopted an investment policy which requires the maintenance of significant holdings in cash funds and short-term deposits to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand. Short-term cash needs are monitored to ensure the most efficient investment of cash balances.

### **D.5. Operational risk**

Operational risks relate to the failure of internal processes, systems or controls due to human or other error. Operational risk is tolerated but minimised by the Managers on behalf of the Britannia Group through the application of key mitigating controls.

The assessment of key operational risks and associated controls is recorded in the Britannia Group's Risk Register which is updated and reported to the RAGs on a quarterly basis. This assessment is informed by the Britannia Group's incident and compliance breach logs and through the assessment of adverse scenarios linked to its particular business model, strategy and risk profile.

Scenario identification, assessment and analysis is designed to:

- Confirm that the current risk and control assessment, including emerging risk estimation and assumptions used for capital modelling, is robust; and
- Probe possible vulnerabilities in the business model.

For the purposes of a), scenario assessments are reported to the Boards through the annual review of Risk Management effectiveness and the assumptions review conducted over the SCR and ECB calculations. Business model scenarios in b) are used to stimulate discussions when reappraising strategy and conducting the Britannia Group's ORSA.

Systems are controlled through data back-up, Disaster Recovery design and regular testing of the Britannia Group's Business Continuity Plan.

All key control processes are documented in the Britannia Group's various operational policies and procedure manuals. Compliance is tested and monitored by the Britannia Group's Compliance, Risk Management and Internal Audit functions and reported to the RAGs by the CRO and Head of Internal Audit respectively.

## **D.6. Climate change risk**

As climate change predictions evolve and world economics change, climate change risk continues to pose a material financial risk to the Britannia Group. Increasing extreme weather conditions challenge the safety of our Members' vessels and crew, as well as the safe carriage of cargoes.

The Britannia Group recognises the potential for increased claims risk to our Members' vessels and crews due to increasingly extreme weather caused by climate change. The trends of these claims will be monitored by the loss prevention department in the future and increased risk will be factored into our underwriting process. Our loss prevention department will continue to use its knowledge and developing data to advise on the best mitigation strategies.

Climate change can have direct or indirect impacts on the Britannia Group. Increased frequency or severity of storms can potentially have a corresponding effect on shipowner claims, while prioritising environmental protection can lead to increased costs of clean-up/ wreck removal and the imposition of fines where pollution occurs.

The Britannia Group's investments, including equities and bonds, could be adversely affected if the business model of the underlying companies is deemed unsustainable within the scope of increasing ESG factors. The ESG aspirations of Members and Reinsurers could affect the attractiveness of Britannia as an insurer, while longer term changes to global shipping's insurance needs should also be considered to ensure a viable ESG strategy is maintained.

## **D.7. Group risk**

As noted in section B.1., each of the named entities are legally structured as part of a group. For the purposes of capital and risk management, however, the 'group' is considered as a single entity.

However, if the named entities were to be considered as standalone legal entities, there would be two significant 'group risks' in the form of the reinsurance exposure to USMIA and Hydra and the location of group capital held by USMIA and Hydra.

There are mechanisms in place to manage and mitigate these group risks as set out below.

### **USMIA**

Under resolution of Britannia Europe and Britannia (UK), recoveries under the reinsurance contract with USMIA would continue to be paid as Britannia Europe and Britannia (UK) ran off claims. In addition, as its parent undertaking, Britannia Holdings could place USMIA into liquidation, in which case as the sole shareholder and creditor of USMIA (save for some minor balances such as accrued professional fees), the balance of USMIA's assets would be paid to Britannia Holdings.

### **Hydra**

Under resolution of Britannia Europe and Britannia (UK), recoveries under the reinsurance contract with Hydra would continue to be paid as Britannia Europe and Britannia (UK) ran off claims.

The Hydra governing instrument contains winding up procedures which allow the board to terminate the operations of Hydra from the end of the then current policy year. Under these circumstances, the Britannia cell would be run off and eventually wound up, with any residual assets being transferred to Britannia Europe as the current shareholder.

## **D.8. Other material risks**

The Britannia Group has not identified any other material risks that it considers necessary for disclosure.

## **D.9. Any other information**

The prior year information at 20 February 2023 is unaudited including the movements from 20 February 2023 to 20 February 2024. The Britannia Group considers no other information material to be disclosed.

## E. Valuation for solvency purposes

This section provides information on the valuation of assets, technical provisions and other liabilities within the Britannia Group's SII balance sheet at 20 February 2024.

In accordance with article 75 of Solvency II Directive 2009/138 and with article 9 of Delegated Regulation 2015/35, assets are valued for solvency purposes at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction, and liabilities are valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

The Britannia Group applies the methodology and valuation hierarchy in accordance with Article 75 of the Level 1 Directive (or where specifically provided for by Delegated Acts):

- As the default valuation method, the Britannia Group values assets and liabilities using quoted market prices in active markets for the same assets or liabilities;
- Where the use of quoted market prices in active markets for the same assets or liabilities is not possible, assets and liabilities are valued using quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences;
- Where these criteria are not met, alternative valuation methods are used.

Where this methodology differs from the valuation policies used in the Britannia Group's financial statements, a specific provision is made in the following section.

The consolidated Solvency II balance sheet has been prepared in accordance with Method 1 (Accounting consolidation-based method) of article 230 of the Solvency II Directive 2009/138.

### E.1. Valuation of assets

The following table sets out the value of the Britannia Group's assets at 20 February 2024.

**Table 6: Valuation difference between assets held on a GAAP basis and SII basis**

	<b>Assets per UK GAAP USD'm</b>	<b>Assets per Solvency II USD'm</b>	<b>Variance USD'm</b>
Financial investments and cash and cash equivalents	1,117.1	1,120.0	(3.0)
Reinsurance recoverable	420.6	286.8	133.8
Other assets	179.1	39.9	139.2
<b>Total Assets</b>	<b>1,716.8</b>	<b>1,446.7</b>	<b>270.1</b>

In general, the valuation method of assets is aligned with the statutory accounts and therefore the basis of preparation aligns with the accounting policies outlined in the Britannia Group's Annual Report and Financial Statements, Note 1. Exceptions to these methods are outlined in the relevant sections below.

#### **Financial investments and cash and cash equivalents**

Equities and bonds valuation (including investment funds) rely on market prices (including accrued interests when applicable) provided daily by the Britannia Group's administrative agent and financial data providers. Investments in collective investment undertakings rely on net asset values provided by financial data vendors, fund promoters, or fund administrative agents.

There is no difference in valuation methodology between UK GAAP and SII.

## Reinsurance recoverable (reinsurers' share of technical provisions)

The difference between the UK GAAP and Solvency II values for reinsurers' share of technical provisions reflects the difference in methodology used to calculate the underlying technical provisions under the two bases. This is set out in more detail in the Technical Provisions section below.

## Other assets

The differences in the valuation between UK GAAP and Solvency II relates to the accounting treatment of other assets which are valued at their recoverable value. Full provision is made for balances considered to be doubtful. UK GAAP Insurance Receivables which are not due at the reporting date are reclassified into the future premium cash-flows in the Technical Provisions section below. Furthermore, intangible assets, relating to software development, have been valued at zero under Solvency II valuation principles.

There were no changes to any of the recognition criteria or valuation methods during the year.

## E.2. Technical provisions

At 20 February 2024, the Britannia Group held technical provisions, valued for solvency purposes, of USD736.4m Gross of Reinsurance.

The assessment of the technical provisions is based on commonly accepted actuarial techniques applied in a consistent manner from year to year. Whilst professional judgment has been exercised in all instances, projections of future ultimate losses and loss expenses are inherently uncertain due to the random nature of claim occurrences. The accuracy of the results is dependent upon the accuracy of the underlying data and additional information supplied to the actuarial team.

The following table shows the analysis of these provisions between best estimate and risk margin at 20 February 2024.

**Table 7: Analysis of provisions between best estimate and risk margin at 20 February 2024**

	Gross USD'm	RI USD'm	Net USD'm
Balance per GAAP	1,102.9	(420.6)	682.3
Prudence Margin (GAAP to BE)	(197.9)	111.8	(86.1)
Reclassification of deferred calls and reinsurance premiums	(127.5)	4.6	(122.9)
Bound but not incepted ("BBNI") business	45.4	(17.1)	28.4
RI credit default	0.0	2.2	2.2
ENIDs	15.3	(4.1)	11.2
Discounting	(108.3)	36.3	(72.0)
Expenses	6.5	-	6.5
<b>Balance per Solvency II before risk margin adjustment</b>	<b>736.4</b>	<b>(286.8)</b>	<b>449.6</b>
Risk Margin	53.7	-	53.7
<b>Balance per SII</b>	<b>790.1</b>	<b>(286.8)</b>	<b>503.3</b>
<b>Variance between SII and GAAP</b>	<b>312.9</b>	<b>(133.8)</b>	<b>179.0</b>

\* The net amount in the table above is calculated as Gross less RI

Since the Solvency II technical provisions figure is a best estimate, the GAAP technical provisions are adjusted for the following items:

- all margins for prudence are removed;
- a provision is made for events not in data (ENID) to represent a true average of future outcomes;
- Technical provisions are stated both gross and net of reinsurance;
- an allowance is made for business which is 'bound but not incepted' (BBNI) as at 20 February 2024; and
- an additional Solvency II risk margin is added, which is intended to represent a notional market value adjustment.

The Britannia Group values technical provisions using the methodology prescribed by the Solvency II Directive and the regulations made under the Directive.

#### *Solvency II Technical Provisions methodology*

Technical provisions (TPs) for Solvency II purposes are made up of a best estimate of claims, premiums and expense cashflows, which are then discounted. Finally, a risk margin is added. The best estimate cashflows are the amounts expected to be paid/received in the future without any margin of prudence. Each element of the TPs is described in more detail below.

#### *Homogeneous risk groups*

The Britannia Group uses four homogeneous risk groups when calculating the best estimate reserves. These are:

1. P&I Retention – Class 3 protection and indemnity claims where the Britannia Group is the originating club.
2. P&I Pool – Class 3 protection and indemnity claims where the Britannia Group pays a share of the claim through the IG pooling arrangement. This includes such claims originating from the Britannia Group.
3. FD&D – Class 6 freight, demurrage and defence claims.
4. Latent claims (predominately Asbestos-related claims) – this group is further divided between mesothelioma and non-mesothelioma claims.

#### *Gross claims cashflows and reinsurance recoveries*

Gross claims are projected to ultimate cost using standard actuarial techniques including Bornhuetter-Ferguson and chain ladder with some judgment overlaid. This judgment is important because of the nature of the historical data and the need to apply relevant information regarding specific claims. The key assumptions made include the projected development patterns (both incurred and paid), initial expected loss ratio for the most recent policy years and the credibility assigned to the loss ratio.

These methods are considered appropriate given that the data includes policy years which are fully run off, where the business written has been stable and where there have been no material changes in the way that claims are handled.

At the valuation date, 20 February 2024, the Britannia Group had no material unearned business except for business that was bound but not incepted (BBNI). This is because the vast majority of coverage is annual, renews prior to year-end and incepts on the first day of the policy year. For the purposes of Solvency II, any business that is bound to be written before the beginning of the Britannia Group's financial year (i.e., from 12.00 GMT on 20 February 2024) is included in the calculation of TPs. However, this concept is not applicable under UK GAAP where only business that has incepted is included in the TPs at the valuation date. BBNI includes all cash inflows as well as outflows and in the Britannia Group's case, this includes advance call, acquisition and administration expenses, reinsurance premiums, projected gross claims and corresponding reinsurance recoveries. The BBNI cashflow inputs are obtained from analysis of the 20 February 2024 renewal, this includes premiums, expenses and estimated ultimate gross claims and reinsurance recoveries.

A percentage loading is added to both earned and BBNI business to allow for 'events not in data' (ENID), which allows for severe events to which the Britannia Group could be exposed but which are absent

from the historical data. The ENID percentage loading has been calculated using the Lloyd's Approximation Method 1, which is a simple and pragmatic calculation based on the assumption that the underlying data is a good fit with the log-normal distribution. The model uses the estimated coefficient of variation from the underlying data and an estimated return period to calculate the percentage loading.

Projected cashflows are estimated by applying payment patterns to the estimates of the ultimate gross claims and recoveries. The assumed payment patterns are derived using chain ladder methodology on historical gross paid claims triangles.

## **Premiums**

Future amounts and timing of premium cashflows are assumed to be in line with the assumptions made in the renewal analysis.

Gross and reinsurance premiums for the BBNi business are taken from the projected 2024/25 policy year, which forms the Britannia Group's business plan.

## **Expenses**

### *Acquisition and administrative expenses*

- There are no internal acquisition or administrative expenses relating to earned business.
- Brokerage is paid when calls are received; therefore, there are external acquisition costs for the most recent policy years.
- For BBNi business, internal acquisition costs and administrative costs are calculated as a percentage of the total operating costs from the business plan for the forthcoming policy year. The brokerage is taken from the renewal analysis.

### *Claims handling expenses*

Allocated claims handling expenses are assumed to be included in the best estimate claims reserves and, therefore, no explicit allowance is made.

Unallocated claims handling expenses are split between expenses paid in the 2024/25 policy year and expenses paid in subsequent years. The expenses paid in 2024/25 are calculated as an assumed percentage of the total operating costs for the forthcoming year. The expenses paid beyond 2024/25 are the same as those included in the GAAP reserves. The unallocated claims handling expenses are all allocated to claims provisions.

### *Investment management expenses*

The investment management expenses are calculated as an assumed percentage of the sum of the projected and discounted TPs (excluding investment expenses) at each future valuation date. The assumed percentage is calculated as the annual investment management expenses divided by funds under management.

## **Discounting**

All future cashflows (including claims, premium and expense) have been discounted using a weighted average yield curve based on the GBP, USD and EUR yield curves as at 29 February 2024 and an assumed mix of cashflows in GBP, USD and EUR. For UK returns it is the PRA yield curves and for Europe returns it is the EIOPA yield curves.

## **Risk Margin**

The risk margin for the Britannia Group is the sum of the individual risk margins of:

- The Britannia Group's subsidiaries USMIA and Hydra;
- Britannia Europe as a standalone (solo) entity, assuming the subsidiaries are third-party reinsurers; and



- Britannia (UK) as a standalone (solo) entity, assuming the subsidiaries are third-party reinsurers.

The method used to estimate the individual risk margins is to:

- estimate the SCR for each of the above using the standard formula;
- project the future SCRs using different runoff patterns for different elements of the SCR as follows:
  - non-life underwriting risk and operational risk are combined and run off in proportion to the square root of the percentage of future gross claims cashflows;
  - counterparty default risk is run off in proportion to the square root of the percentage of future reinsurance recovery cashflows; and
  - discount and sum the projected SCRs and multiply by the cost of capital.

For USMIA the Risk Margin calculation is now completed under the Bermuda Monetary Authority BSCR rules. This is because USMIA is now deemed Solvency II equivalent.

### Uncertainty associated with the value of technical provisions

The estimate of the Solvency II technical provisions is considered to be an accurate assessment of future obligations. However, it remains an approximation. Factors affecting the level of uncertainty are both internal and external and the nature of these factors is such that they are difficult to quantify in both likelihood and magnitude. The issues that affect the certainty of the technical provisions include:

- the projection of numerous cash-flows, including future premiums, claim payments and reinsurance recoveries on these payments. None of these will develop exactly as projected and deviations from these projections are normal and to be expected;
- the assumptions used to calculate the Premium Provision are based on the expectation of an 'average year'. Actual underwriting performance for that business may vary significantly from the assumed position at the outset;
- the yield curves used to discount future cash-flows can vary from one year to the next which introduces additional balance sheet volatility that does not exist on a GAAP balance sheet;
- there is greater uncertainty associated with more recent policy years as these are still in an early stage of development; and
- for certain elements of the technical provisions, for example ENID, very little data exists on which to base the assumptions and hence a high degree of judgement is required, which could lead to increased uncertainty in the estimates.

### Data adjustments and recommendations

There were no data deficiencies for which an adjustment was necessary. Improvements to the data governance procedures have continued in the 2023/24 Policy Year and this will continue into 2024/25.

### Changes since the last reporting period

There were no significant changes during the last reporting period ending 20 February 2024.

## E.3. Other liabilities

The following table sets out the value of the Britannia Group's other liabilities at 20 February 2024.

**Table 8: Valuation difference between other liabilities held on a GAAP basis and SII basis**

Liabilities per GAAP USD'm	Liabilities per Solvency II USD'm	Variance <u>USD'm</u>
-------------------------------------	--	--------------------------

Creditors	46.4	46.4	-
Reinsurance creditors	16.4	11.8	4.6
Other liabilities	1.1	1.1	-
<b>Total liabilities</b>	<b>63.9</b>	<b>59.3</b>	<b>4.6</b>

The differences in the valuation between GAAP and Solvency II relates to the recognition of payments on reinsurance contracts for the 2023/24 and prior policy years that have been accrued in the GAAP figures but reclassified to reinsurers' share of technical provisions under Solvency II. All other liabilities are valued for Solvency II purposes on the same basis as the financial statements.

#### **E.4. Alternative methods of valuation**

The Britannia Group does not use any alternative valuation methods.

#### **E.5. Any other information**

The prior year information at 20 February 2023 is unaudited including the movements from 20 February 2023 to 20 February 2024. The Britannia Group considers no other information material to be disclosed.

## F. Capital management

### F.1. Own funds

The Britannia Group's Business Plan and ORSA process measure the current and projected capital and solvency position over a three-year time horizon. The core capital management objective over this period is for the Britannia Group to maintain tier 1 basic own funds at a level which provides a capital buffer in excess of the higher of its SCR and its ORSA-derived solvency needs (the economic capital benchmark or ECB).

It is consistent with the Business Planning process which is a projection of the premiums, claims, general expenses and investment return. The Medium-Term Capital Management Plan of the Britannia Group is a key component of its ORSA and is reviewed at least annually by the Boards.

The Britannia Group has a simple capital structure, with balance sheet reserves comprising a single item: tier 1 capital derived from past underwriting and investment surpluses. There were no restrictions on the availability of the Britannia Group's own funds to support the SCR and MCR.

#### *Ancillary own funds*

Ancillary own funds are funds which are contingent in that they have not been paid in, and as such, are not recognised on the balance sheet of the insurance undertaking. If at some undetermined point in the future ancillary own funds are called, then they cease to be contingent and become basic own funds items represented by assets on the balance sheet. One critical feature of ancillary own funds is their loss-absorbency.

Under articles 93 and 94 of Solvency II Directive 2009/138, supplemented by articles COF1, 2, 5 and 6, of the Level 2 Implementing Measures and the Technical Specification for the Preparatory Phase (Part I) document, ancillary own funds include any future charge which mutual or mutual-type Clubs of shipowners with variable contributions may have against their Members by way of an unbudgeted supplementary premium contribution known as a "supplementary call" in the case of this Group.

The Britannia Group has the right under its rules to charge supplementary calls to its Members. These calls fall within the definition of ancillary own funds described above.

The total amount of Ancillary Own Funds included within the Britannia Group's own funds is based upon the methodology approved by the PRA on 20 February 2024. The amount of Tier 2 capital is equivalent to USD168.9m. The extent to which the value of the approved ancillary own funds in relation to supplementary calls is eligible to meet the Solvency Capital Requirement is however limited by the Tier 2 regulatory threshold which is currently a maximum of 50% of the SCR.

The methodology approved by the PRA remains valid until 20 April 2026.

#### *Non-Available Own Funds (Guideline 12 of the EIOPA Guidelines on Reporting & Disclosure)*

Based on article 330 of Delegated Regulation 2015/35, the Britannia Group are aware of the potential restriction on part of its own funds held in its reinsurance captive Hydra which cannot be made available to cover the group Solvency Capital Requirement.

If applicable, the reduction in available capital at group level due to this restriction is reported under QRT S.23.01.04 – R0750. As at 20 February 2024 there was no restriction.

At 20 February 2024 and 2023, the Britannia Group held the following own funds.

**Table 9: Breakdown of the Basic own funds and the total of the Own funds**

	20/02/2024 USD'm	20/02/2023 USD'm	Movement USD'm
Income and expenditure account	385.1	367.4	17.7
Investment reserve	109.8	87.6	22.2
General reserve	55.0	55.0	-
<b>Total resources</b>	<b>549.9</b>	<b>510.0</b>	<b>39.9</b>
Solvency II adjustment	47.4	13.4	34.1
<b>Basic own funds</b>	<b>597.4</b>	<b>523.4</b>	<b>74.0</b>
Ancillary own funds	134.5	139.5	(5.0)
<b>Total own funds</b>	<b>731.9</b>	<b>662.9</b>	<b>69.0</b>

As a mutual insurer with no share capital the capital structure consists of only one type of own fund. This consists of the reconciliation reserve. The reconciliation reserve equals the total excess of assets over liabilities. This item is available to fully absorb losses both on a going concern basis and in the case of winding up. The item also satisfies the criteria in Delegated Regulation (EU) 2015/35 and therefore is included in Tier 1. There are no items that are foreseen to reduce the reconciliation reserve.

## F.2. Solvency Capital Requirement and Minimum Capital Requirement

### F.2.1. Solvency capital requirement

The following table shows an analysis of the Britannia Group's SCR on a group basis split by risk modules and comparison to the previous year end.

**Table 10: Analysis of SCR**

Heads of risk	SCR		Movement USD'm
	20/02/2024 USD'm	20/02/2023 USD'm	
Underwriting risk	178.2	187.4	(9.2)
Market risk	121.4	128.6	(7.2)
Counterparty default risk	14.6	29.2	(14.6)
Operational risk	22.1	24.7	(2.6)
<b>Aggregate SCR</b>	<b>336.3</b>	<b>369.9</b>	<b>(33.6)</b>
Correlation credit	67.2	77.1	(9.9)
<b>Aggregate SCR net of correlations</b>	<b>269.1</b>	<b>292.8</b>	<b>(23.7)</b>

The Britannia Group has not used any simplified calculations, nor the duration-based equity risk sub-module as set out in Article 304 of Directive 2009/138/EC in the calculation of the SCR. The Britannia Group has not used undertaking-specific parameters in any of the risk modules described below.

The main changes in the SCR since 20 February 2024 reflect the following factors.

#### Underwriting risk

SCR underwriting risk capital is made up of three elements, premium risk, reserve risk and catastrophe (CAT) risk. Premium risk is based on the higher of either the expected value of net premiums over the next 12 months or the value of net premiums earned over the last 12 months. Reserve risk is based on the valuation of net technical (claims) provisions. CAT risk is calculated using a prescribed scenario-

based approach of one of the Britannia Group's insured vessels being involved in a collision resulting in a maximum possible loss.

Since the calculation was performed last year reserves, net of reinsurance, have decreased. This decreases the SCR Premium and Reserve Risk charge by USD10.4m. CAT risk has increased slightly.

Overall, SCR underwriting risk capital has decreased by USD9.1m which represents a 5% decrease.

### Market risk

Market risk is driven by a combination of market risk drivers - interest rate risk, equity risk, currency risk, spread risk and concentration risk.

The change in overall market risk consists mainly of a decrease in equity risk, which is partially offset by increases in concentration risk and interest rate risk. There is very little change in spread risk and currency risk. The equity risk has reduced due to the equity holding reducing from USD185m to USD158m, due to the change in investment strategy.

Overall, SCR market risk capital has decreased by 6% which equates to USD7.2m.

### Counterparty default risk

Counterparty default risk capital requirement has had a significant decrease of USD14.6m. This is due to reduced exposure to counterparties and reinsurers credit ratings increasing.

### Operational risk

There has been a decrease of USD2.6m in the operational risk charge since last year due to a decrease in technical provisions, Gross of reinsurance.

### Overall movement

Overall, the SCR has seen a year on year decrease of USD23.7m, from USD292.8m to USD269.1m.

## F.2.2. Minimum capital requirement

The MCR calculation is based on the net value of technical provisions as at the valuation date, 20 February 2024 and the net retained premiums in the last 12 months. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. The MCR as at 20 February 2024 was USD78.0m, a decrease of USD5.6m from last year reflecting reduced reserves..

## F.2.3 The Britannia Group's Overall capital position

The following table shows the Britannia Group's capital position in relation to the SCR and the MCR at 20 February 2024.

**Table 11: Overall capital position**

	SCR USD'm	MCR USD'm
Capital requirement	269.1	78.0
Basic own funds available	597.3	597.3
Ancillary own funds	134.5	-
<b>Total eligible own funds</b>	<b>731.9</b>	<b>597.3</b>
Headroom	462.8	519.4
<b>Solvency ratio</b>	<b>272.0%</b>	<b>766.0%</b>

By reference to the SCR and MCR, the Britannia Group's own funds substantially exceed the capital requirements. By these measures, the Britannia Group remains in a satisfactory capital position.

The Britannia Group has fully complied with the SCR and MCR requirements during the period under review. The calculation of the SCR and MCR is subject to supervisory assessment and may change following the review of the SCR and MCR calculation by the Regulator.

### **F.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement**

The Britannia Group does not use this sub-module.

### **F.4. Difference between standard formula and any internal model used**

No internal or partial internal model has been used in the calculation of the SCR.

### **F.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement**

The Britannia Group has fully complied with the SCR and MCR requirements during the period under review. The calculation of the SCR and MCR is subject to supervisory assessment and may change following the review of the SCR and MCR calculation by the Regulator.

### **F.6. Any other information**

The prior year information at 20 February 2023 is unaudited including the movements from 20 February 2023 to 20 February 2024. There is no other information to report regarding the Britannia Group's capital management.

# Appendix A: The Britannia Group’s capital resources and requirements on a solo basis

## 1. Overview

In accordance with Article 256 of Directive 2009/138/EC, the Britannia Group applied for, and received, approval to publish a single group SFCR. As is clear from the operating structure, the Britannia Group is not a group in the conventional sense with subsidiary business units writing third party business.

The Britannia Group operates with a single book of business only, split 10%/90% by way of a quota share agreement. As part of its ORSA process the Britannia Group assessed the risks and solvency requirements of Britannia (UK) and Britannia Europe on a solo basis as well as at the level of the Britannia Group. In endeavouring to develop a robust and comprehensive approach to the ORSA process, management looked from a number of different angles at how the Britannia Group’s group risks might deviate from the solo risks. With each approach taken, however, the conclusion reached was that its risks and solvency needs on a solo basis were in all respects the same as those at the level of the Britannia Group.

Britannia (UK) and Britannia Europe’s own funds, SCR and MCR at 20 February 2024 on a solo basis are set out in the tables below.

At 20 February 2024, Britannia Europe and Britannia (UK) (on a solo basis) held the following own funds.

**Table 12: Breakdown of the Basic own funds and the total of the Own funds at 20 February 2024**

	USD'm	
	Europe	UK
Basic own funds	127.3	7.1
Ancillary own funds	55.4	1.2
<b>Total own funds</b>	<b>182.8</b>	<b>7.1</b>

Britannia Europe and Britannia (UK) have approval from the CAA and PRA respectively for AOF as described in more detail in section F.1. AOF is calculated as the lower 65% of the renewing policy year’s Mutual ETC on 20 February or 50% of its SCR. Therefore, for the purposes of the solo total own funds calculation, AOF is limited to 50% of the Solo SCR.

## Solvency Capital Requirement (SCR) – solo Basis

The following table shows an analysis of Britannia Europe and Britannia (UK)'s SCR on a solo basis split by risk modules at 20 February 2024.

**Table 13: Analysis of Solo SCR**

Heads of risk	20/02/2024 USD'm	
	Europe	UK
Underwriting risk	27.6	1.0
Market risk	70.1	0.0
Counterparty default risk	20.9	1.6
Operational risk	21.9	0.2
<b>Aggregate SCR</b>	<b>140.6</b>	<b>2.8</b>
Correlation credit	(27.0)	(0.4)
<b>Aggregate SCR net of correlations</b>	<b>113.6</b>	<b>2.4</b>

## Minimum Capital Requirement (MCR)

The MCR calculation is based on the net value of technical provisions as at the valuation date, 20 February 2023 and the net retained premiums in the last 12 months. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. The MCR as at 20 February 2024 was USD27.7m on a solo basis for Britannia Europe and USD2.9m for Britannia (UK).

## Britannia Europe and Britannia (UK)'s overall capital position – solo basis

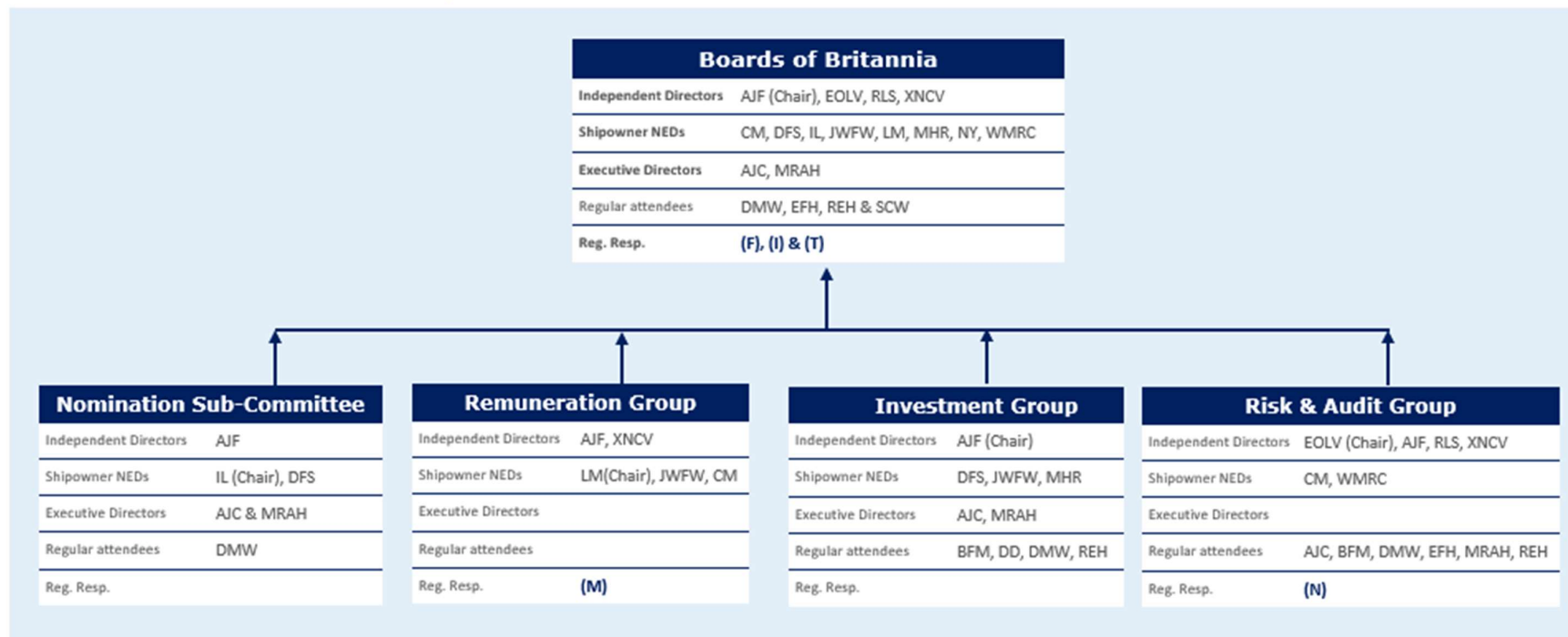
The following table shows Britannia Europe and Britannia (UK)'s capital positions on a solo basis in relation to the SCR and the MCR at 20 February 2024.

**Table 14: Overall Solo capital positions**

	Europe		UK	
	SCR USD'm	MCR USD'm	SCR USD'm	MCR USD'm
Capital requirement	113.6	28.4	2.4	2.9
Basic own funds available	127.3	127.3	7.2	7.2
Ancillary own funds	56.8	-	1.2	-
<b>Total own funds</b>	<b>184.1</b>	<b>127.3</b>	<b>8.4</b>	<b>7.2</b>
Headroom	70.5	98.9	6.0	4.3
<b>Solvency ratio</b>	<b>162.1%</b>	<b>448.4%</b>	<b>348.9%</b>	<b>251.0%</b>



## Appendix B: Governance map and organisational chart



Independent Directors		Shipowner NEDs		Executive Directors		Regular attendees	
AJF	Anthony Firmin	CM	Casper Munch	AJC	Andrew Cutler	DMW	Dan Wilkinson
EOLV	Egied Verbeeck	DFS	Dimitri Saracakis	MRAH	Mike Hall	EFH	Ella Hagell
RLS	Richard Sadler	IL	Irene Lan			REH	Richard Heppell
XNCV	Xavier Villers	JFWF	James Warwick			SCW	Simon Williams
		LM	Louis Martel				
		MHR	Maximilian Rothkopf				
		NY	Norifumi Yamamoto				
		WMRC	Raymond Ching				

## **Appendix C: Solvency II quantitative reporting templates**

- The Britannia Steam Ship Insurance Association Holdings Limited – Group
- The Britannia Steam Ship Insurance Association Europe – Solo
- The Britannia Steam Ship Insurance Association Limited – Solo

# The Britannia Steam Ship Insurance Association Holdings Limited

## Solvency and Financial Condition Report

### Disclosures

20 February

**2024**

(Monetary amounts in USD thousands)

## General information

Participating undertaking name	The Britannia Steam Ship Insurance Association Limited
Group identification code	2138008W3W8A16C92J10
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	20 February 2024
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
- S.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
- S.23.01.22 - Own Funds
- S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
- S.32.01.22 - Undertakings in the scope of the group

## 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)	934,655
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	58
R0110	<i>Equities - listed</i>	9
R0120	<i>Equities - unlisted</i>	49
R0130	<i>Bonds</i>	481,212
R0140	<i>Government Bonds</i>	245,205
R0150	<i>Corporate Bonds</i>	236,007
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	453,385
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	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	286,781
R0280	<i>Non-life and health similar to non-life</i>	286,781
R0290	<i>Non-life excluding health</i>	286,781
R0300	<i>Health similar to non-life</i>	
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	0
R0370	Reinsurance receivables	28,422
R0380	Receivables (trade, not insurance)	20,679
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	171,042
R0420	Any other assets, not elsewhere shown	5,125
R0500	<b>Total assets</b>	<b>1,446,703</b>

## S.02.01.02

## Balance sheet

<b>Solvency II value</b>	
<b>C0010</b>	
<b>Liabilities</b>	
R0510 Technical provisions - non-life	796,101
R0520 <i>Technical provisions - non-life (excluding health)</i>	796,101
R0530 <i>TP calculated as a whole</i>	
R0540 <i>Best Estimate</i>	736,425
R0550 <i>Risk margin</i>	59,676
R0560 <i>Technical provisions - health (similar to non-life)</i>	0
R0570 <i>TP calculated as a whole</i>	
R0580 <i>Best Estimate</i>	
R0590 <i>Risk margin</i>	
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	46,421
R0830 Reinsurance payables	11,792
R0840 Payables (trade, not insurance)	1,060
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	
R0900 <b>Total liabilities</b>	<b>855,374</b>
R1000 <b>Excess of assets over liabilities</b>	<b>591,329</b>







## S.23.01.22

## Own Funds

## Basic own funds before deduction for participations in other financial sector

R0010	Ordinary share capital (gross of own shares)
R0020	<i>Non-available called but not paid in ordinary share capital at group level</i>
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
R0060	<i>Non-available subordinated mutual member accounts at group level</i>
R0070	Surplus funds
R0080	<i>Non-available surplus funds at group level</i>
R0090	Preference shares
R0100	<i>Non-available preference shares at group level</i>
R0110	Share premium account related to preference shares
R0120	<i>Non-available share premium account related to preference shares at group level</i>
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0150	<i>Non-available subordinated liabilities at group level</i>
R0160	An amount equal to the value of net deferred tax assets
R0170	<i>The amount equal to the value of net deferred tax assets not available at the group level</i>
R0180	Other items approved by supervisory authority as basic own funds not specified above
R0190	<i>Non available own funds related to other own funds items approved by supervisory authority</i>
R0200	Minority interests (if not reported as part of a specific own fund item)
R0210	<i>Non-available minority interests at group level</i>
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 other financial undertakings, including non-regulated undertakings carrying out financial activities</b>
R0240	<i>whereof deducted according to art 228 of the Directive 2009/138/EC</i>
R0250	Deductions for participations where there is non-availability of information (Article 229)
R0260	Deduction for participations included by using D&A when a combination of methods is used
R0270	<b>Total of non-available own fund items</b>
R0280	<b>Total deductions</b>
R0290	<b>Total basic own funds after deductions</b>

## Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0380	Non available ancillary own funds at group level
R0390	Other ancillary own funds
R0400	<b>Total ancillary own funds</b>

## Own funds of other financial sectors

R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies
R0420	Institutions for occupational retirement provision
R0430	Non regulated entities carrying out financial activities
R0440	<b>Total own funds of other financial sectors</b>

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0	0		0	
0				
0	0		0	
0	0		0	
0		0	0	0
0				
0	0			
0	0			
0		0	0	0
0				
0		0	0	0
0				
591,329	591,329			
0		0	0	0
0				0
0				0
0	0	0	0	0
0				
0				
0				
591,329	591,329	0	0	0
0				
0				
0				
0				
0				
168,880			168,880	
0				
0				
0				
168,880			168,880	0
0				
0				
0				
0	0	0	0	0

S.23.01.22  
Own Funds

Basic own funds before deduction for participations in other financial sector

Own funds when using the D&A, exclusively or in combination of method 1

R0450	Own funds aggregated when using the D&A and combination of method
R0460	Own funds aggregated when using the D&A and combination of method net of IGT
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )
R0530	Total available own funds to meet the minimum consolidated group SCR
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)
R0610	<b>Minimum consolidated Group SCR</b>
R0650	<b>Ratio of Eligible own funds to Minimum Consolidated Group SCR</b>
R0660	<b>Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&amp;A )</b>
R0680	<b>Group SCR</b>
R0690	<b>Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&amp;A</b>

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Forseeable 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
R0750	Other non available own funds
R0760	<b>Reconciliation reserve</b>

Expected profits

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
0				
0				
760,209	591,329	0	168,880	0
591,329	591,329	0	0	
729,076	591,329	0	137,748	0
591,329	591,329	0	0	
77,983				
758.28%				
729,076	591,329	0	137,748	0
275,495				
264.64%				
C0060				
591,329				
0				
0				
591,329				
0				

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	121,418		
R0020 Counterparty default risk	26,076		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	178,171		
R0060 Diversification	-72,263		
R0070 Intangible asset risk	0		
<b>R0100 Basic Solvency Capital Requirement</b>	<b>253,402</b>		
<b>Calculation of Solvency Capital Requirement</b>			
R0130 Operational risk	22,093		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes	0		
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
<b>R0200 Solvency Capital Requirement excluding capital add-on</b>	<b>275,495</b>		
R0210 Capital add-ons already set	0		
<b>R0220 Solvency capital requirement for undertakings under consolidated method</b>	<b>275,495</b>		
<b>Other information on SCR</b>			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
R0470 Minimum consolidated group solvency capital requirement	77,983		
<b>Information on other entities</b>			
R0500 Capital requirement for other financial sectors (Non-insurance capital requirements)	0		
R0510 <i>Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies</i>	0		
R0520 <i>Institutions for occupational retirement provisions</i>	0		
R0530 <i>Capital requirement for non-regulated entities carrying out financial activities</i>	0		
R0540 Capital requirement for non-controlled participation requirements	0		
R0550 Capital requirement for residual undertakings	0		
<b>Overall SCR</b>			
R0560 SCR for undertakings included via D&A	0		
<b>R0570 Solvency capital requirement</b>	<b>275,495</b>		

USP Key

For life underwriting risk:

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

For health underwriting risk:

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

For non-life underwriting risk:

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

S.32.01.22

Undertakings in the scope of the group

	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	2138008W3W8A16C92J10	LEI	The Britannia Steam Ship Insurance Association Limited	Non life insurance undertaking	Insurance company limited by guarantee	Mutual	Prudential Regulation Authority
2	BM	R4BRPLIC21EOWRHFY964	LEI	Universal Shipowners Marine Insurance Association Limited	Reinsurance undertaking	Reinsurance company limited by shares	Non-mutual	Bermuda Monetary Authority
3	LU	2221005G9GALS8L5R29	LEI	The Britannia Steam Ship Insurance Association Europe	Non life insurance undertaking	Insurance company limited by guarantee	Mutual	Commissariat aux Assurances
4	BM	549300RLX1HXJUXV0R14	LEI	Hydra Insurance Company Limited - Britannia Cell	Reinsurance undertaking	Reinsurance company limited by shares	Non-mutual	Bermuda Monetary Authority

S.32.01.22

Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation	
				% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking	
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	2138008W3W8A16C92J10	LEI	The Britannia Steam Ship Insurance Association Limited		100.00%	75.00%	None	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
2	BM	R4BRPLIC21EOWRHFY964	LEI	Universal Shipowners Marine Insurance Association Limited	100.00%	100.00%	100.00%	None	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	LU	222100SG9GALS8L5R29	LEI	The Britannia Steam Ship Insurance Association Europe		100.00%	75.00%	None	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	BM	549300RLX1HXJUXV0R14	LEI	Hydra Insurance Company Limited - Britannia Cell	100.00%	100.00%	100.00%	None	Dominant	100.00%	Included in the scope		Method 1: Full consolidation

# The Britannia Steam Ship Insurance Association Europe

## Solvency and Financial Condition Report

### Disclosures

20 February

**2024**

(Monetary amounts in USD thousands)

## General information

Undertaking name	The Britannia Steam Ship Insurance Association Europe
Undertaking identification code	222100SG9GALSL8L5R29
Type of code of undertaking	LEI
Type of undertaking	Non-Life insurance undertakings
Country of authorisation	LU
Language of reporting	en
Reporting reference date	20 February 2024
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

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

## S.02.01.02

## Balance sheet

Solvency II value	
C0010	
	0
	152,281
	0
	91,147
	9
	9
	54,402
	26,076
	28,326
	0
	0
	6,723
	0
	0
	0
	0
	717,498
	717,498
	717,498
	0
	0
	0
	1,454
	28,444
	7,807
	0
	137,377
	7,826
	1,052,687

## Assets

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



S.02.01.02

Balance sheet

Solvency II value		
C0010		
R0510	Technical provisions - non-life	747,969
R0520	<i>Technical provisions - non-life (excluding health)</i>	747,969
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	731,408
R0550	<i>Risk margin</i>	16,562
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
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	45,701
R0830	Reinsurance payables	12,043
R0840	Payables (trade, not insurance)	119,625
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	
R0900	<b>Total liabilities</b>	<b>925,338</b>
R1000	<b>Excess of assets over liabilities</b>	<b>127,349</b>



S.17.01.02

Non-Life Technical Provisions

Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
<b>Technical provisions calculated as a whole</b>																
R0010	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole															0
R0050																0
<b>Technical provisions calculated as a sum of BE and RM</b>																
<b>Best estimate</b>																
<b>Premium provisions</b>																
R0060	Gross															34,466
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default															34,757
R0150	<b>Net Best Estimate of Premium Provisions</b>															-290
<b>Claims provisions</b>																
R0160	Gross															696,941
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default															682,742
R0250	<b>Net Best Estimate of Claims Provisions</b>															14,200
R0260	<b>Total best estimate - gross</b>															731,408
R0270	<b>Total best estimate - net</b>															13,909
R0280	<b>Risk margin</b>															16,562
R0320	<b>Technical provisions - total</b>															747,969
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total															717,498
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total															30,471

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											2,253	2,253
R0160	-9	52,065	35,009	24,796	6,354	7,000	-1,587	2,849	10,892	2,320	2,954	2,954	142,653
R0170	-8	75,034	150,290	121,047	27,407	17,240	11,821	6,230	2,094	3,608		3,608	414,770
R0180	-7	21,853	23,422	22,726	-1,028	5,217	5,706	2,199	1,736			1,736	81,830
R0190	-6	28,889	35,049	20,733	8,382	10,875	3,741	4,294				4,294	111,963
R0200	-5	35,362	55,932	31,215	52,746	15,544	15,673					15,673	206,471
R0210	-4	24,749	41,531	48,512	15,851	5,033						5,033	135,677
R0220	-3	77,159	50,182	24,697	51,506							51,506	203,544
R0230	-2	33,067	63,287	51,570								51,570	147,924
R0240	-1	16,020	47,563									47,563	63,583
R0250	0	36,077										36,077	36,077
R0260												<b>Total</b>	<b>222,267</b>

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											111,140	96,890
R0160	-9	0	0	87,489	85,937	78,998	74,175	40,938	38,117	18,871		16,878	
R0170	-8	0	0	225,854	199,229	148,258	118,651	118,464	119,519	111,617		100,581	
R0180	-7	0	82,716	43,953	28,243	16,660	11,923	9,705	3,328			2,915	
R0190	-6	119,358	74,111	53,487	28,943	30,943	29,279	26,839				23,857	
R0200	-5	179,328	182,477	171,658	67,521	83,087	68,486					61,295	
R0210	-4	134,494	109,870	63,375	44,812	34,024						30,123	
R0220	-3	171,843	132,486	180,263	116,843							103,592	
R0230	-2	128,770	115,926	115,427								102,840	
R0240	-1	128,901	77,103									65,523	
R0250	0	104,480										92,448	
R0260												<b>Total</b>	<b>696,941</b>

S.23.01.01

Own Funds

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

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

Ancillary own funds

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

Available and eligible own funds

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

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

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

Expected profits

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
0	0		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
127,349	127,349			
0		0	0	0
0				0
0	0	0	0	0
0				
0	0	0	0	0
0				
0	0	0	0	0
127,349	127,349	0	0	0

0				
0				
0				
0				
0				
0				
167,253			167,253	
0				
0				
167,253			167,253	0

294,602	127,349	0	167,253	0
127,349	127,349	0	0	
182,788	127,349	0	55,439	0
127,349	127,349	0	0	

110,879
27,720
164.85%
459.42%

C0060
127,349
0
0
0
127,349

9,980
9,980

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

- R0010 Market risk
- R0020 Counterparty default risk
- R0030 Life underwriting risk
- R0040 Health underwriting risk
- R0050 Non-life underwriting risk
- R0060 Diversification

- R0070 Intangible asset risk

R0100 **Basic Solvency Capital Requirement**

**Calculation of Solvency Capital Requirement**

- R0130 Operational risk
- R0140 Loss-absorbing capacity of technical provisions
- R0150 Loss-absorbing capacity of deferred taxes
- R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
- R0200 **Solvency Capital Requirement excluding capital add-on**
- R0210 Capital add-ons already set
- R0211 *of which, capital add-ons already set - Article 37 (1) Type a*
- R0212 *of which, capital add-ons already set - Article 37 (1) Type b*
- R0213 *of which, capital add-ons already set - Article 37 (1) Type c*
- R0214 *of which, capital add-ons already set - Article 37 (1) Type d*
- R0220 **Solvency capital requirement**

**Other information on SCR**

- R0400 Capital requirement for duration-based equity risk sub-module
- R0410 Total amount of Notional Solvency Capital Requirements for remaining part
- R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds
- R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
- R0440 Diversification effects due to RFF nSCR aggregation for article 304

**Approach to tax rate**

- R0590 Approach based on average tax rate

**Calculation of loss absorbing capacity of deferred taxes**

- R0640 LAC DT
- R0650 LAC DT justified by reversion of deferred tax liabilities
- R0660 LAC DT justified by reference to probable future taxable economic profit
- R0670 LAC DT justified by carry back, current year
- R0680 LAC DT justified by carry back, future years
- R0690 Maximum LAC DT

Gross solvency capital requirement	USP	Simplifications
C0110	C0090	C0120
67,104		
20,909		
0		
0		
27,630		
-26,705		

0
88,937

C0100
21,942
0
0
110,879
0
0
0
0
0
110,879

0
0
0
0
0

Yes/No
--------

C0109
Not applicable

LAC DT
--------

C0130
0
0
0
0
0

USP Key

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

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

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

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR<sub>NL</sub> Result

C0010

11,350
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Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
--	---

C0020

C0030

C0020	C0030
0	
0	
0	
0	
0	
13,909	70,835
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	

- R0020 Medical expense insurance and proportional reinsurance
- R0030 Income protection insurance and proportional reinsurance
- R0040 Workers' compensation insurance and proportional reinsurance
- R0050 Motor vehicle liability insurance and proportional reinsurance
- R0060 Other motor insurance and proportional reinsurance
- R0070 Marine, aviation and transport insurance and proportional reinsurance
- R0080 Fire and other damage to property insurance and proportional reinsurance
- R0090 General liability insurance and proportional reinsurance
- R0100 Credit and suretyship insurance and proportional reinsurance
- R0110 Legal expenses insurance and proportional reinsurance
- R0120 Assistance and proportional reinsurance
- R0130 Miscellaneous financial loss insurance and proportional reinsurance
- R0140 Non-proportional health reinsurance
- R0150 Non-proportional casualty reinsurance
- R0160 Non-proportional marine, aviation and transport reinsurance
- R0170 Non-proportional property reinsurance

Linear formula component for life insurance and reinsurance obligations

R0200 MCR<sub>L</sub> Result

C0040

0
---

Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance /SPV) total capital at risk
--	---

C0050

C0060

C0050	C0060

- R0210 Obligations with profit participation - guaranteed benefits
- R0220 Obligations with profit participation - future discretionary benefits
- R0230 Index-linked and unit-linked insurance obligations
- R0240 Other life (re)insurance and health (re)insurance obligations
- R0250 Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

- R0300 Linear MCR
- R0310 SCR
- R0320 MCR cap
- R0330 MCR floor
- R0340 Combined MCR
- R0350 Absolute floor of the MCR
- R0400 Minimum Capital Requirement

C0070

11,350
110,879
49,895
27,720
27,720
2,867
27,720

# The Britannia Steam Ship Insurance Association Limited

## Solvency and Financial Condition Report

### Disclosures

20 February

**2024**

(Monetary amounts in USD thousands)



## General information

Undertaking name	The Britannia Steam Ship Insurance Association Limited
Undertaking identification code	2138008W3W8A16C92J10
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	20 February 2024
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

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

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<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)	0
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>	0
R0140	<i>Government Bonds</i>	0
R0150	<i>Corporate Bonds</i>	0
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	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	1,246
R0280	<i>Non-life and health similar to non-life</i>	1,246
R0290	<i>Non-life excluding health</i>	1,246
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	-96
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	10,451
R0420	Any other assets, not elsewhere shown	
R0500	<b>Total assets</b>	<b>11,601</b>

## S.02.01.02

## Balance sheet

<b>Solvency II value</b>	
<b>C0010</b>	
<b>Liabilities</b>	
R0510 Technical provisions - non-life	1,814
R0520 <i>Technical provisions - non-life (excluding health)</i>	1,814
R0530 <i>TP calculated as a whole</i>	0
R0540 <i>Best Estimate</i>	1,234
R0550 <i>Risk margin</i>	580
R0560 <i>Technical provisions - health (similar to non-life)</i>	0
R0570 <i>TP calculated as a whole</i>	0
R0580 <i>Best Estimate</i>	0
R0590 <i>Risk margin</i>	0
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	720
R0830 Reinsurance payables	433
R0840 Payables (trade, not insurance)	1,437
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	
R0900 <b>Total liabilities</b>	<b>4,405</b>
R1000 <b>Excess of assets over liabilities</b>	<b>7,196</b>



## S.05.02.01

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

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
<b>R0010</b>							
	<b>Premiums written</b>						
R0110	3,048						3,048
R0120							0
R0130							0
R0140	2,495						2,495
R0200	553						553
	<b>Premiums earned</b>						
R0210	3,048						3,048
R0220							0
R0230							0
R0240	2,495						2,495
R0300	553						553
	<b>Claims incurred</b>						
R0310	602						602
R0320							0
R0330							0
R0340	545						545
R0400	57						57
	<b>Changes in other technical provisions</b>						
R0410							0
R0420							0
R0430							0
R0440							0
R0500	0						0
R0550	684						684
R1200							
R1300							684

S.17.01.02

**Non-Life Technical Provisions**

	Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
<b>R0010</b>	<b>Technical provisions calculated as a whole</b>																0
<b>R0050</b>	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>																
<b>R0060</b>	Gross																1,432
<b>R0140</b>	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																1,292
<b>R0150</b>	<b>Net Best Estimate of Premium Provisions</b>																140
	<b>Claims provisions</b>																
<b>R0160</b>	Gross																-198
<b>R0240</b>	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																-47
<b>R0250</b>	<b>Net Best Estimate of Claims Provisions</b>																-151
<b>R0260</b>	<b>Total best estimate - gross</b>																1,234
<b>R0270</b>	<b>Total best estimate - net</b>																-12
<b>R0280</b>	<b>Risk margin</b>																580
	<b>Amount of the transitional on Technical Provisions</b>																
<b>R0290</b>	Technical Provisions calculated as a whole																0
<b>R0300</b>	Best estimate																0
<b>R0310</b>	Risk margin																0
<b>R0320</b>	<b>Technical provisions - total</b>																1,814
<b>R0330</b>	<b>Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total</b>																1,246
<b>R0340</b>	<b>Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total</b>																569

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											0	0	0
R0160	-9	0	0	0	0	0	0	0	0	0	0	0	0	
R0170	-8	0	0	0	0	0	0	0	0	0	0	0	0	
R0180	-7	0	0	0	0	0	0	0	0	0	0	0	0	
R0190	-6	0	0	0	0	0	0	0	0	0	0	0	0	
R0200	-5	0	0	0	0	0	0	0	0	0	0	0	0	
R0210	-4	0	0	0	0	0	0	0	0	0	0	0	0	
R0220	-3	0	0	0	0	0	0	0	0	0	0	0	0	
R0230	-2	0	0	0	0	0	0	0	0	0	0	0	0	
R0240	-1	0	0	0	0	0	0	0	0	0	0	0	0	
R0250	0	70	0	0	0	0	0	0	0	0	0	70	70	
R0260												Total	70	70

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											0	
R0160	-9	0	0	0	0	0	0	0	0	0	0	0	
R0170	-8	0	0	0	0	0	0	0	0	0	0	0	
R0180	-7	0	0	0	0	0	0	0	0	0	0	0	
R0190	-6	0	0	0	0	0	0	0	0	0	0	0	
R0200	-5	0	0	0	0	0	0	0	0	0	0	0	
R0210	-4	0	0	0	0	0	0	0	0	0	0	0	
R0220	-3	0	0	0	0	0	0	0	0	0	0	0	
R0230	-2	0	0	0	0	0	0	0	0	0	0	0	
R0240	-1	0	0	0	0	0	0	0	0	0	0	0	
R0250	0	-194	0	0	0	0	0	0	0	0	0	-198	
R0260												Total	-198

S.23.01.01

**Own Funds**

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

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

**Ancillary own funds**

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

**Available and eligible own funds**

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

**R0580 SCR**

**R0600 MCR**

**R0620 Ratio of Eligible own funds to SCR**

**R0640 Ratio of Eligible own funds to MCR**

**Reconciliation reserve**

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

**Expected profits**

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
0	0		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
7,196	7,196			
0		0	0	0
0				0
0	0	0	0	0
0				
0				
7,196	7,196	0	0	0

0				
0				
0				
0				
0				
0				
1,627			1,627	
0				
0				
1,627			1,627	0

8,823	7,196	0	1,627	0
7,196	7,196	0	0	
8,400	7,196	0	1,204	0
7,196	7,196	0	0	

2,408
2,867
348.85%
250.99%

C0060
7,196
0
0
0
7,196

0
0



## S.25.01.21

## Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	50		
R0020 Counterparty default risk	1,562		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	967		
R0060 Diversification	-354		
R0070 Intangible asset risk	0		
<b>R0100 Basic Solvency Capital Requirement</b>	<b>2,225</b>		
<b>Calculation of Solvency Capital Requirement</b>			
R0130 Operational risk	183		
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>2,408</b>		
R0210 Capital add-ons already set	0		
<b>R0220 Solvency capital requirement</b>	<b>2,408</b>		
<b>Other information on SCR</b>			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
<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 - Adjustment factor for non-proportional reinsurance
- 5 - Standard deviation for NSLT health reserve risk
- 9 - None

## For non-life underwriting risk:

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

## S.28.01.01

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

<b>Linear formula component for non-life insurance and reinsurance obligations</b>		<b>C0010</b>			
				<b>Net (of reinsurance/SPV) best estimate and TP calculated as a whole</b>	<b>Net (of reinsurance) written premiums in the last 12 months</b>
				<b>C0020</b>	<b>C0030</b>
R0010	MCR <sub>NL</sub> Result		77		
R0020	Medical expense insurance and proportional reinsurance			0	
R0030	Income protection insurance and proportional reinsurance			0	
R0040	Workers' compensation insurance and proportional reinsurance			0	
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	553
R0080	Fire and other damage to property insurance and proportional reinsurance			0	
R0090	General liability insurance and proportional reinsurance			0	
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			0	
R0160	Non-proportional marine, aviation and transport reinsurance			0	
R0170	Non-proportional property reinsurance			0	
<b>Linear formula component for life insurance and reinsurance obligations</b>		<b>C0040</b>			
R0200	MCR <sub>L</sub> Result		0		
				<b>Net (of reinsurance/SPV) best estimate and TP calculated as a whole</b>	<b>Net (of reinsurance/SPV) total capital at risk</b>
				<b>C0050</b>	<b>C0060</b>
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				
<b>Overall MCR calculation</b>		<b>C0070</b>			
R0300	Linear MCR		77		
R0310	SCR		2,408		
R0320	MCR cap		1,084		
R0330	MCR floor		602		
R0340	Combined MCR		602		
R0350	Absolute floor of the MCR		2,867		
R0400	<b>Minimum Capital Requirement</b>		<b>2,867</b>		