Accelerant Insurance Europe NV / SA

Solvency Financial Conditions Report (Solo SFCR) 2021

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ACCELERANT

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A Business and performance

Business

Accelerant is a tech enabled, data fuelled insurance company. It works with Members to distribute its products to end clients.

The Solvency Financial Conditions Report ("SFCR") is aligned with the requirements of Directive 2009/138/EC (Solvency II Directive) and the Commission Delegated Regulation (EU) 2015/35.

Accelerant Insurance Europe NV / SA (referred to as "Accelerant", "AIE" or "the Company") is a company authorised by the National Bank of Belgium ("NBB") to carry on the business of insurance in accordance with the Insurance Supervision Act (Law of 13 March 2016 relating to the status and supervision of insurance or reinsurance undertakings) to carry on business of insurance in the following Solvency II classes of general business:

- Class 1 - Accident (excluding industrial injury and occupational diseases);
- Class 2 - Sickness;
- Class 3 - Land Vehicles;
- Class 6 - Ships (sea, lake and river and canal vessels);
- Class 7 - Goods in transit;
- Class 8 - Fire and natural forces;
- Class 9 - Other damage to property;
- Class 10 - Motor Vehicle Liability;
- Class 12 - Liability for ships (sea, lake and river and canal vessels);
- Class 13 - General Liability
- Class 14 - Credit;
- Class 15 - Suretyship;
- Class 16 - Miscellaneous financial loss;
- Class 17 - Legal Expenses;
- Class 18 - Assistance.

Business Model and Financial Performance

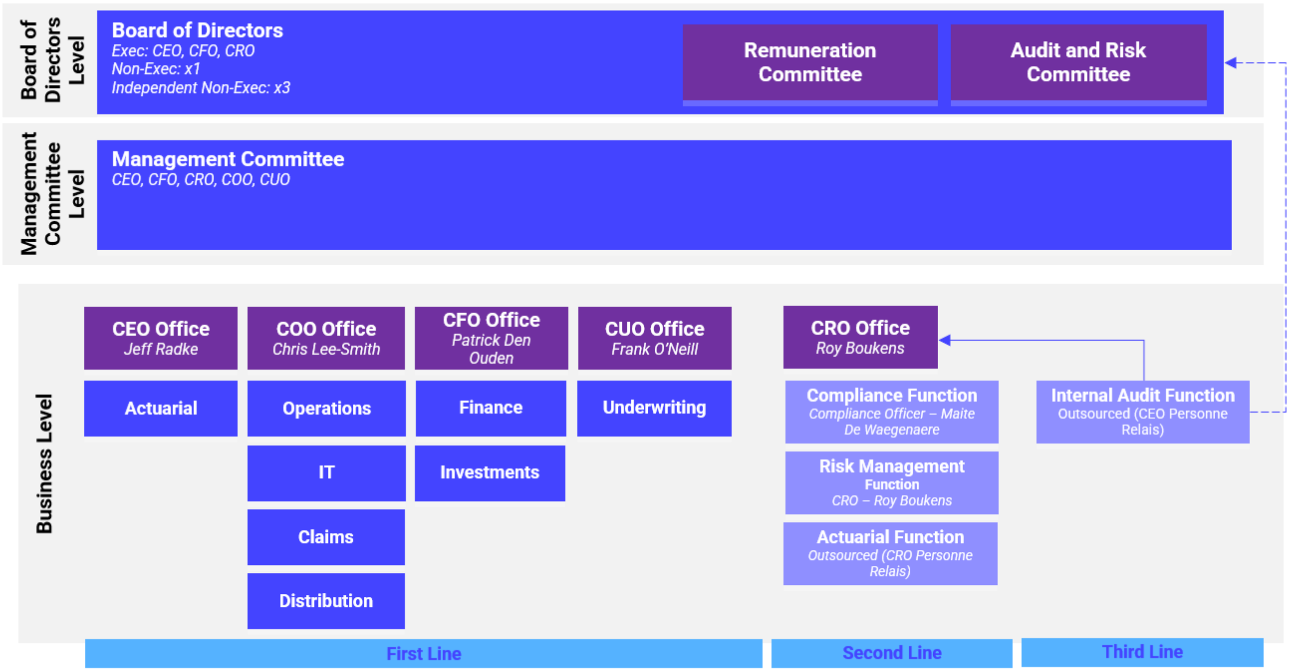
Accelerant is a non-life insurance company dedicated to servicing the needs of Members throughout the EEA and the UK. The Company targets Members which are established market players with a strong track record writing a portfolio of small policies, largely for Small and Medium-sized Enterprises ("SME") clients in their territories.

The Gross Written Premium ("GWP") for the year 2021 amounted to €219.6m. This was an achievement for the Company for its first year of operations. The performance of the insurance undertaking over the reporting period was as follows:

Income Statement – Technical Account – Non-life insurance	2021 BEGAAP (in €)
Earned premiums, net of reinsurance	14,508,596
Net written premiums	*26,265,630*
Gross written premiums (GWP)	219,585,434
Premiums ceded to reinsurer	193,319,803
Change in the provision for unearned premiums	*-11,757,034*
Gross amount	-127,669,908
Reinsurer's share	115,912,874
Claims incurred, net of reinsurance	9,067,315
Net amount paid	*1,692,883*
Gross amount	12,815,372
Reinsurer's share	11,122,489
Change in claims provision, net of reinsurance	*7,374,432*
Gross amount	49,162,813
Reinsurer's share	-41,788,381
Technical costs, net of reinsurance	19,187,995
Net operating costs	*19,038,780*
Acquisition costs	85,895,853
Administration costs	6,568,986
Commissions received from the reinsurers	-73,426,059
Other technical costs, net of reinsurance	*149,215*
Change in provision for equalization and catastrophe, net of reinsurance	-277,553
Result of the technical account non-life	-14,024,267

B System of Governance

Accelerant has developed a robust system of governance which ensures the sound and prudent management of the undertaking and that is appropriate to its nature, scale and complexity. The governance structure ensures that collectively, the Board, its Committees, key function holders and senior executives are fit and proper, knowledgeable, and experienced in managing insurance business and all the interconnected areas that an insurance undertaking should be responsible for. The various components of the organisational structure are included below.



The Board of Directors is composed of seven Directors, three of which are independent and non-executive. One of the independent and non-executive Directors ("NEDs") serves as the Chairman. The Directors collectively possess the required fitness and propriety standards required to manage an insurance undertaking in a sound and prudent manner. The Board collectively possesses appropriate qualifications, experience, and knowledge about:

a) risk and capital management;
b) insurance and financial markets;
c) business strategy and business model;
d) system of governance;
e) financial and actuarial analysis; and
f) regulatory framework and requirements.

The table below presents an overview of the directors of AIE.

Director	Function
John Spencer	Independent non-executive director and Chairman
Nicolas Priem	Independent non-executive director
Jan Cerfontaine	Independent non-executive director
Jeff Radke	Executive director
Roy Boukens	Executive director
Patrick den Ouden	Executive director
Nancy Hasley	Non-executive director

The table below presents an overview of the Members of the Management Committee of AIE.

Director	Function
Jeff Radke	Chief Executive Officer ("CEO")
Roy Boukens	Chief Risk Officer ("CRO")
Patrick den Ouden	Chief Financial Officer ("CFO")
Chris Lee-Smith	Chief Operations Officer ("COO")
Frank O'Neill	Chief Underwriting Officer ("CUO")

The committees have the relevant skills and expertise to take up their responsibilities. Moreover, the fact that both executives and non-executives are on the Board of Directors ensures that proper discussion is taken place and both strategy and execution is being challenged.

C Risk Profile

The Board of Directors and the Risk Management Function review the risk profile of the company periodically.

The main risk types to which the Company is exposed to are

- Underwriting Risk;
- Market Risk;
- Asset Liability Management Risk;
- Counterparty Default Risk;
- Credit Risk;
- Liquidity Risk;
- Operational Risk;
- Reinsurance Risk;
- Compliance Risk;
- Legal Risk;
- Strategic Risk;
- Technology Risk.

More information and details on the different risk types can be found in section C of this document.

D Valuation for Solvency Purposes

The main differences between the Belgian Generally Accepted Accounting Principles ("BEGAAP") and the Solvency II valuation methods for the classes of assets and liabilities are highlighted below:

- Goodwill: The goodwill shown in the BEGAAP balance sheet is a non-admissible asset under Solvency II.
- Deferred Acquisition Costs ("DAC"): Under BEGAAP no capitalization of DAC is allowed. It is, however, included as part of the Unearned Premiums Reserve ("UPR") as a commission reserve. Under Solvency II, acquisition costs are not deferred but are taken into account as part of the cash flows and therefore in the valuation of the technical provisions.
- Investments: In the Solvency II balance sheet, investments are reported at market value / fair value, as opposed to their nominal / acquisition value under BEGAAP.
- Reinsurance Recoverables: In order to establish the Solvency II value for the reinsurance recoverables, an assessment of the best estimates of ceded reserves to the reinsurers has been performed in line with the Company's evaluation of the technical provisions forming part of the liabilities. In arriving at the Solvency II value, the best estimate reserves have been replaced by the net present value of all future reinsurance cash flows estimated at their best estimate. In arriving at the net present value, the EIOPA Risk Free Interest Rate curve as at 31 December 2021 was used to discount the future cash flows.
- Technical Provisions: Similar to the Reinsurance Recoverables, the valuation bases, methods and main assumptions used to calculate the Technical Provisions for Solvency purposes and those used for financial reporting in the statutory accounts are different. A detailed description is provided in section D.

E Capital Management

In assessing its future solvency needs, the Company analysed the capital requirements for each projected year and whether the eligible capital would continuously comply with the Solvency II regulations within the Own Risk and Solvency Assessment ("ORSA").

The Company's Own Funds are Tier 1 capital and capital contributions carried out during 2021 and authorised by the NBB.

	December 2021	
Basic Own Funds	Total (in €)	Tier 1 – unrestricted (in €)
Ordinary Share Capital	90,560,500	90,560,500
Share premium account related to ordinary share capital	0	0
Reconciliation Reserve	(15,466,811)	(15,466,811)
Deferred Tax Asset	285,463	0
Other items approved by supervisory authority as basic own funds, not specified above	0	0
Total Basic Own Funds	75,379,152	75,093,689

A. Business and Performance

A.1 Business

Name of the undertaking	Accelerant Insurance Europe NV / SA
Company number	0758632842
Date of incorporation	20/11/2020
Legal Status	AIE is an insurance company (License 3193)
Address of AIE	Bastion Tower, Level 12, Place du Champ de Mars 5, 1050 Brussels
Name of Supervisor	National Bank of Belgium
Contact details supervisor	Laura Darie
Name of external auditor	PWC
Contact details external auditor	Kurt Cappoen

AIE is a 100% owned subsidiary of Accelerant Holdings UK Ltd, with registered address at One Fleet Place, London, EC4M 7WS and having a UK registration number 12125445. Accelerant Holdings UK Ltd. is a 100% owned subsidiary of Accelerant Holdings (Cayman) Ltd., with registered address PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and having a Cayman registration number MC-347465.

AIE was licenced on 2nd December 2020 by the NBB. Accelerant is authorised by the NBB under the Insurance Supervision Act (Law of 13 March 2016 relating to the status and supervision of insurance or reinsurance undertakings) to carry on business of insurance in the following Solvency II classes of general business:

- Class 1 - Accident (excluding industrial injury and occupational diseases);
- Class 2 - Sickness
- Class 3 - Land Vehicles;
- Class 6 - Ships (sea, lake and river and canal vessels);
- Class 7 - Goods in transit;
- Class 8 - Fire and natural forces;
- Class 9 - Other damage to property;
- Class 10 - Motor Vehicle Liability;
- Class 12 - Liability for ships (sea, lake and river and canal vessels);
- Class 13 - General Liability;
- Class 14 - Credit;
- Class 15 - Suretyship;
- Class 16 - Miscellaneous financial loss;
- Class 17 - Legal Expenses;
- Class 18 - Assistance.

A.1.1 Business Written

Accelerant is a non-life insurance company dedicated to servicing the needs of Members throughout the European Economic Area ("EEA") and the United Kingdom ("UK"). The Company targets Members which are established market players with a strong track record writing a portfolio dedicated to the needs of mainly SME clients in their territories.

Accelerant's existing and targeted Members have a strong background in writing a portfolio of policies in their respective territories. Accelerant's strategy is that of having relatively few, but relatively significant Member relationships, which leads to tight integration and control of the activities of the Members in Accelerant's portfolio. Offering underwriting capacity is core to the Accelerant business model and member proposition. This strategy gives Accelerant control over the composition of the Company's portfolio, and thus provides Members with a dependable insurance undertaking that is committed to their success.

The Company opts for quality over quantity. At the time of writing this report, Accelerant Holding (comprising of Accelerant Agency Limited and AIE) has refused around €6 billion of GWP which did not fit the Company's appetite.

Accelerant has an established strategy and a powerful customer value proposition, executed by a proven management team, utilising seasoned relationships to create and control an attractive insurance portfolio serving SMEs. The execution of Accelerant's strategy to date demonstrates the success of the business model.

Accelerant Insurance Europe NV / SA has been awarded an AM Best A- (Excellent) rating ensuring that the Company's Members and their customers can be confident that Accelerant has the financial strength to support them when they need it most.

The Company passports its services within the European Union ("EU") under freedom of services ("FOS") and freedom of establishment ("FOE"). The countries in which the Company passports its services or has established a branch are listed below. The Company has currently applied for a third-country branch in the UK to ensure continuity of service due to the UK's exit from the European Union ("Brexit"). AIE is currently operating in the UK under the Temporary Permissions Regime ("TPR"). An application for a Greek branch is expected to be carried out in 2022.

Freedom of Services	Freedom of Establishment
Austria	Ireland
Cyprus	Italy
Denmark	Spain
Estonia	
Finland	
France	
Germany	
Hungary	
Greece	
Latvia	
Luxembourg	
Lithuania	
Netherlands	
Norway	
Poland	
Portugal	
Sweden	
United Kingdom (under the TPR)	

At the time of writing this report, Accelerant operates through 25+ Members, which include the portfolio recently transferred from Accelerant Insurance Limited ("AIL") based in Malta. The list is expected to grow as Accelerant grows its portfolio.

The business outlook is positive, with significant growth expected. The business model and member proposition has been very well received and has led to more growth than expected in the previous year across all geographies. The expectation is that growth will continue, and that Members will be able to grow their respective footprints. Additionally, the expectation is that the onboarding of additional, carefully selected Members will further contribute to this growth.

Growth is not easy to estimate, especially given the fact that Accelerant has multiple areas of growth, there is the success of the model and the success of Members in their respective markets.

A.1.2 Capital Contributions

Accelerant UK Holdings Limited, in its capacity as the parent undertaking of AIE, made multiple investments in the Company during 2021 by means of capital contributions in cash and contributions in kind. The overview of the various capital injections and the resulting capital position is provided below. The capital is unfettered, does not give rise to a credit in favour of AIE and is free from any servicing costs or charges. The Company allotted an amount equal to the capital to an undistributable reserve.

Date	Capital increase (in €)		Total capital (in €)
20/11/2020	(initial)	61,500	61,500
22/02/2021		20,500,000	20,561,500
27/09/2021		13,365,000	33,926,500
30/09/2021	(contribution in kind)	21,634,000	55,560,500
30/12/2021		35,000,000	90,560,500

A.1.3 Company Employees

As at end of December 2021, the employees of the Company, excluding the branches, amounted to eight. Additionally, the Company has three branches, namely in Ireland, Italy and Spain, with a total of seven employees assigned to them. Significant changes have been made at the start of 2022 with additional people that have been hired.

A.1.4 Remuneration

AIE has in place a remuneration policy to ensure that remuneration of staff and directors is in line with the approved business and risk management strategies and also aligned with the approved Governance Framework and Policies. The principal objectives of AIE's Remuneration Policy are to ensure that:

- The Company is able to attract, develop, retain and motivate high-quality staff;
- Employees are offered competitive remuneration packages which reflect market rates, are fair and internally consistent;
- The remuneration granted does not jeopardise the ability of the Company to maintain a sufficient capital basis;
- Payments made as a consequence of the Remuneration policy are made in accordance with good corporate governance;

- Remuneration takes into account both financial and non-financial performance of teams and individuals;
- Short-term profitability is not rewarded at the expense of long-term performance, potentially threatening the undertaking's ability to maintain an adequate capital base;
- Remuneration arrangements with service providers do not encourage excessive risk-taking;
- Potential conflict of interest risks are prevented; and
- All stakeholders understand the Remuneration policy.

A.1.5 Loans, credits or guarantees and insurance policies for managers, shareholders, related institutions and related persons

AIE established a rule that states that it is not allowed to have any guarantees or loans with people employed by AIE. This rule is strictly applied and followed. No outstanding loans or guarantees to management existed as at 31 December 2021.

A.2 Underwriting Performance

The Company was established on the 20th November 2020 and licensed to act as an insurance entity on the 2nd December 2020 by the NBB. The first financial year was extended till 31st December 2021 and the Company was exempt from preparing audited financial statements for the period 2nd December 2020 to 31st December 2020. During this period no insurance business had been transacted.

2021 was truly the first year of insurance business operations for the Company. The Company started writing policies in March 2021, with the business progressing steadily in the following months.

The GWP for 2021 amounted to €219.6m as noted below. This was an achievement for the Company for its first year of operations.

As this is the first SFCR report being produced by the Company, no comparative figures are being shown in this report. The impact of risk mitigation techniques on underwriting performance are found under Section C Risk Profile.

The performance of the insurance undertaking over the reporting period was as follows:

Income Statement – Technical Account – Non-life insurance	2021 BEGAAP (in €)
Earned premiums, net of reinsurance	14,508,596
Net written premiums	*26,265,630*
Gross written premiums (GWP)	219,585,434
Premiums ceded to reinsurer	193,319,803
Change in the provision for unearned premiums	*-11,757,034*
Gross amount	-127,669,908
Reinsurer's share	115,912,874
Claims incurred, net of reinsurance	9,067,315
Net amount paid	*1,692,883*
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Gross amount	49,162,813
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Acquisition costs	85,895,853
Administration costs	6,568,986
Commissions received from the reinsurers	-73,426,059
Other technical costs, net of reinsurance	*149,215*
Change in provision for equalization and catastrophe, net of reinsurance	-277,553
Result of the technical account non-life	-14,024,267

A.3 Investment Performance

The investment income earned during 2021 was low. Under BEGAAP the investments in the Mercer Funds are recognised at acquisition value. As a result, unrealised changes in the market value are not reported as investment income; only realized gains and losses are recognised as investment income for these funds. During 2021 there were no realised gains or losses on the Mercer funds investments.

The investment portfolio includes:

- Bank deposits;
- Units in collective investment schemes;
- Intercompany loan which will be redeemed in Q1 2022.

Income Statement – Non-technical Account	2021 BEGAAP (in €)
Investment income	62,079
Investment-related costs	-142,051
Other costs	-220,719
Result of the non-technical account	**-205,722**
Result of the financial year	**-14,324,958**

A.4 Performance of other activities

A.4.1 Information regarding the business of insurance

The Company continues to see the Member market expand globally, specifically in UK, EEA, United States and Canada. The commercial SME market continues to expand too (despite Covid). Rates are hardening in many of the main classes of business the Company operates in across our platform.

A.4.2 Information by line of business

The year 2021 was the first year of insurance operations for the Company, with gross written premiums in excess of €219.

The business growth recorded in 2021 was driven primarily by the Company's ability to onboard Members which provide substantial premium written in line with the Company's risk appetite statement.

As shown in the table below, gross written premiums were written in a total of 8 lines of business, with General liability and Fire & other damage to property being the major lines of business, with a total of €98.1m GWP and €95.6m GWP respectively.

In order to mitigate the insurance risk, the company entered into proportional reinsurance covers with a number of reputable reinsurance companies under a 90% quota share agreement. In order to further mitigate the risk, the Company has also entered into a number of non-proportional reinsurance excess of loss covers which inure to the quota share reinsurers as well. The Company aims to retain 10% of the risk.

	Line of Business for: non-life insurance and reinsurance obligations								
	Medical expense (in €)	Motor vehicle liability (in €)	Marine, aviation & transport (in €)	Fire & other damage to property (in €)	General liability (in €)	Credit and suretyship (in €)	Legal expenses (in €)	Misc. financial loss (in €)	Total (in €)
Net premiums written	**134,827**	**788,676**	**10,301**	**9,455,439**	**9,753,670**	**519,128**	**632,541**	**774,219**	**22,068,802**
Gross direct business	1,336,083	7,815,450	102,078	93,699,513	96,654,861	5,144,350	6,268,223	7,672,194	218,692,752
Reinsurers' share	1,201,256	7,026,775	91,777	84,244,074	86,901,190	4,625,221	5,635,681	6,897,975	196,623,950
Net premiums earned	**65,438**	**382,780**	**5,000**	**4,589,148**	**4,733,893**	**251,956**	**307,001**	**375,763**	**10,710,977**
Gross direct business	556,096	3,252,895	42,486	38,998,989	40,229,044	2,141,147	2,608,918	3,193,270	91,022,844
Reinsurers' share	490,658	2,870,115	37,487	34,409,841	35,495,151	1,889,191	2,301,917	2,817,506	80,311,867
Net claims incurred	**10,074**	**644,717**	**6,985**	**4,446,932**	**3,089,026**	**15,408**	**19,193**	**31,830**	**8,264,164**
Gross direct business	75,553	4,835,138	52,386	33,350,353	23,166,554	115,555	143,937	238,711	61,978,185
Reinsurers' share	65,479	4,190,421	45,401	28,903,421	20,077,528	100,147	124,744	206,881	53,714,021
Changes in other TPs									
Gross direct business									
Reinsurers' share									
Expenses incurred	**124,907**	**730,649**	**9,543**	**8,759,753**	**9,036,042**	**480,934**	**586,002**	**717,256**	**20,445,086**
Other expenses									266,979
Total expenses									**20,712,065**

During 2021, the Company wrote direct business in Ireland, the Netherlands, Norway, Sweden, Spain, Italy, France, Greece and the UK. The Company is looking to increase to this list of countries in 2022, with the onboarding of new Members.

The underwriting performance for the year ended 31 December 2021 split by country was as follows:

in €	Line of Business for: non-life insurance and reinsurance obligations									
	France	Greece	Ireland	Italy	Netherlands	Norway	Spain	Sweden	United Kingdom	Total
Net premiums written	**462,159**	**96,342**	**2,720,523**	**317,690**	**524,622**	**380,824**	**150,188**	**519,551**	**21,103,730**	**26,275,630**
Gross direct business	3,862,265	805,131	22,735,408	2,654,938	4,384,269	3,182,544	1,255,121	4,341,888	176,363,869	219,585,433
Reinsurers' share	3,400,105	708,789	20,014,885	2,337,248	3,859,647	2,801,721	1,104,933	3,822,337	155,260,138	193,309,803
Net premiums earned	**255,190**	**53,197**	**1,502,189**	**175,419**	**289,680**	**210,279**	**82,929**	**286,880**	**11,652,833**	**14,508,597**
Gross direct business	1,616,692	337,017	9,516,738	1,111,322	1,835,197	1,332,171	525,377	1,817,456	73,823,557	91,915,526
Reinsurers' share	1,361,502	283,820	8,014,549	935,903	1,545,516	1,121,891	442,448	1,530,576	62,170,724	77,406,929
Net claims incurred	**153,846**	**32,071**	**905,621**	**105,754**	**174,639**	**126,770**	**49,995**	**172,951**	**7,025,112**	**8,746,759**
Gross direct business	1,084,489	226,073	6,383,900	745,483	1,231,064	893,630	352,427	1,219,163	49,521,400	61,657,629
Reinsurers' share	930,644	194,003	5,478,279	639,729	1,056,425	766,860	302,431	1,046,213	42,496,288	52,910,870
Changes in other TPs										
Gross direct business										
Reinsurers' share										
Expenses incurred	**340,509**	**70,983**	**2,004,424**	**234,068**	**386,531**	**280,583**	**110,655**	**382,794**	**15,548,788**	**19,359,336**

As described above, the United Kingdom is the major contributor both in terms of gross written premiums, as well as technical result, making up approximately 80% of the total gross direct premiums written.

The technical loss reported for the year ended 31 December 2021 amounted to €14.3m. More information on the underwriting performance of the Company is available in the Annual Report and Financial Statements for the year ended 31 December 2021 which can be accessed from the Company's website at www.accelins.com.

A.4.3 Strategic Objectives

The overall strategic objectives of Accelerant are:

1. Continue to grow the GWP of Members;
2. Continue to grow the Member base;
3. Develop a suite of products and services for our Members which adds value;
4. Maximise efficiency of reinsurance programme;
5. Maintain a highly competent team and a customer-focused culture;
6. Ensure regulatory compliance;
7. Ensure policyholders are treated fairly; and
8. Lay the foundations for strong returns for shareholders over the medium- to long-term.

A.4.4 Business Plan

As part of the ORSA process, the company has defined its planning horizon as a forward-looking period of three years. In this regard within the ORSA document approved by the Board of Directors on 15th December 2021, the Company presented its business plan for the period 2022 to 2024.

The actual figures for 2021 have been analysed as part of the previous section, the following part will go into more detail about the period 2022 to 2024.

Based on the volumes expectation, the level of business is projected to improve further in 2022 with total gross written premiums of around €474.1m, an increase of 117% compared to year-end 2021. A further increase in business is also expected for 2023 and 2024.

The increase in premiums is expected in all lines of business written by the Company as well as in all territories, with focus on the EEA.

An increase in acquisition costs is expected in line with the increase in premiums. The same holds for the Solvency Capital Requirement ("SCR"). An increasing underwriting profit is also expected over the projection period.

The Solvency Ratio is expected to remain firmly above 150%, where needed supported by a capital injection.

A.4.5 Projected Investment Performance

Over the business planning period, the Company expects the financial environment to remain challenging. The Global Pandemic which started in early 2020 and is still a major concern at time of writing, has slowed down the worldwide economy, especially in Europe, with a number of countries forced to declare public health state of emergency and lockdowns. Such measures affected the customer spending, with major players in the capital markets declaring unprecedented losses.

The Company expects the financial markets to take some time to fully recover. The Company believes that its conservative investment strategy provides protection against volatility in the capital markets and can provide the required level of liquidity to meet its obligations at short notice and with low cost.

International Financial Reporting Standards ("IFRS") / United States General Accepted Accounting Principles ("USGAAP") investment income forecasted for the business planning period:

Year	EUR
2022	450,675
2023	789,690
2024	1,086,519

A.4.6 Key investment assumptions

The primary objective of the Company's investment strategy is to protect and preserve its assets, with all investment decisions to be made in line with the "prudent person" principle. The second objective is liquidity of assets it invests in. When needed, the investments should be converted into cash available to the Company. The third objective is income generation, with the investments generating an adequate return to ensure that investments are made in the best interest of policyholders and insured.

In this regard, the investment portfolio of the Company can be considered as managed conservatively as it is largely composed of cash at bank and units held in collective investment schemes. Investing in units of collective investment schemes provide the diversification that would be very difficult to achieve through direct investments in the capital markets.

B. System of Governance

B.1 General Information on the System of Governance

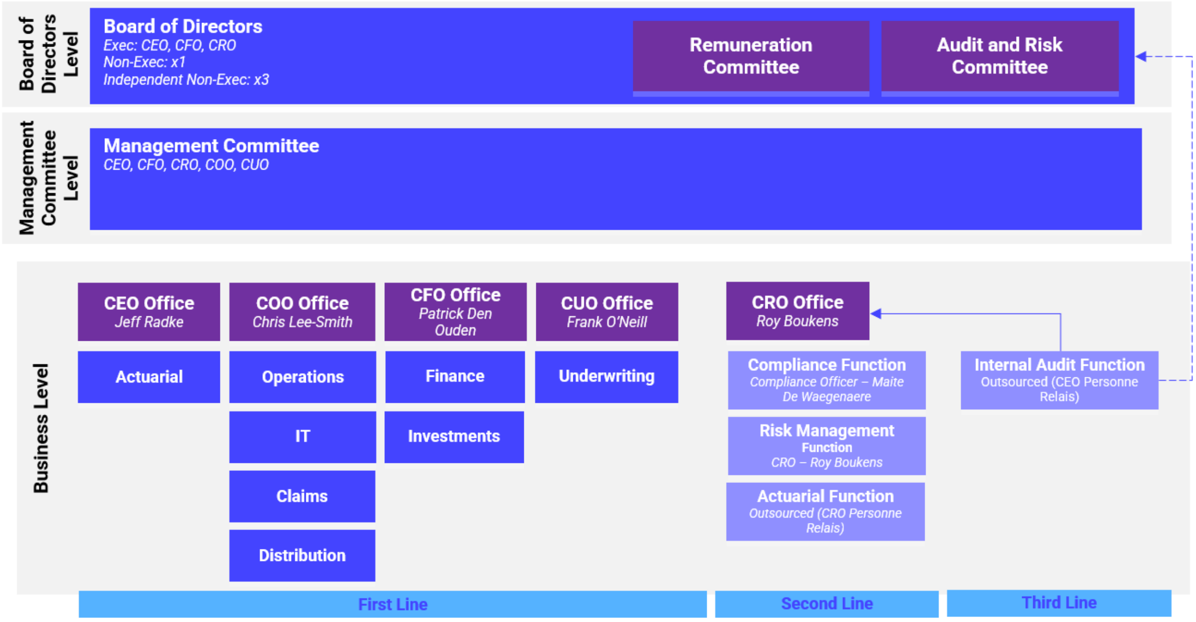
Accelerant has developed a robust system of governance which ensures the sound and prudent management of the undertaking and that is appropriate to its nature, scale and complexity. The governance structure ensures that collectively, the Board, its Committees, key function holders and senior executives are fit and proper, knowledgeable, and experienced in managing insurance business and all the interconnected areas that an insurance undertaking should be responsible for. The various components of the organisational structure are included below.

B.1.1 Governance and Internal Control Structure

Accelerant has established a sound and effective corporate governance framework which ensures the sound and prudent management of the undertaking and is appropriate to the size, nature, complexity, and risk profile of the Company. The governance structure ensures that collectively, the Board, its Committees, key function holders and senior executives are fit and proper, knowledgeable, and experienced in managing insurance business and all the interconnected areas that an insurance undertaking is required to be responsible for. The various components of the organisational structure are included in the next sub-sections.

The governance structure is based on the Three Lines of Defence Model of risk management.

The first-line is responsible for running the business, operations and commercial activities. They are also defined as risk owners across all activities performed. The second-line consists of the Risk Management and Compliance functions. They both independently have access to the Board of Directors and the Audit and Risk Committee. They are represented by the CRO in both the Management Committee and Board of Directors. In turn, all the Committees report to the Board of Directors. All the functions also have a direct line to the Board of Directors, should the need arise. The third-line, the Internal Audit Function is outsourced to a specialised internal audit provider. They work based on their own planning, which they agree with the Board of Directors. The advantage is that the Company is able to insource the appropriate skills and expertise to conduct the audits that it would otherwise not be able to fulfil given its size. The CEO is the responsible person for the internal audit function from an Outsourcing point of view.



B.1.2 Composition of Board and Committees

Accelerant operates a two-tier governance system. The Board of Directors is composed of three executive and four non-executive directors, of which three are independent. One of the independent Directors also serves as the Company's Chairman to ensure the Board is run by an independent person. Another independent non-executive director chairs the Audit and Risk Committee. The Management (Executive) Committee is made up of three Executive Directors and two senior executives (non-Directors). The CEO, the CFO and the CRO are Directors, whereas the COO and CUO are senior executives.

The governance bodies collectively possess the required fitness and propriety standards required to manage an insurance undertaking in a sound and prudent manner. The Board collectively possesses appropriate qualification, experience, and knowledge about:

- prudent risk and capital management;
- insurance and financial markets;
- business strategy and business model;
- system of governance;
- financial and actuarial analysis; and
- regulatory framework and requirements.

The Board of Directors is supported by two Board-level Committees, which report directly to the Board. The management of the Company's activity and the execution of the strategy is delegated to the Management Committee. The composition of the governance structure is depicted in the chart in B.1.1 above.

The table below presents an overview of the directors of AIE.

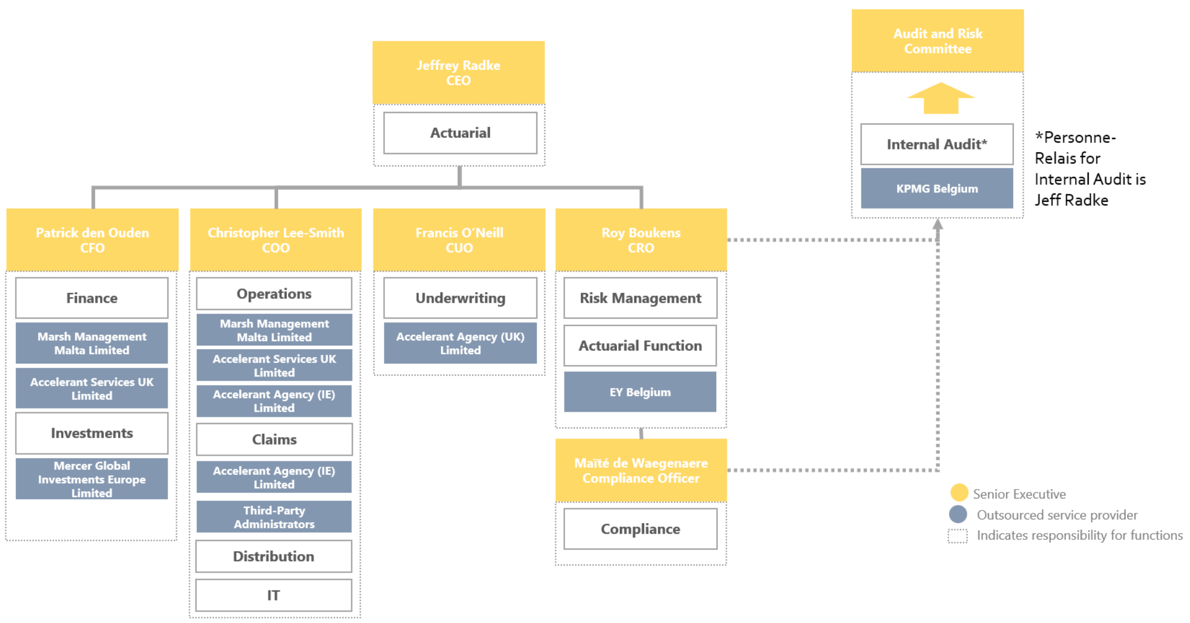
Director	Function
John Spencer	Independent non-executive director and Chairman
Nicolas Priem	Independent non-executive
Jan Cerfontaine	Independent non-executive
Jeff Radke	Executive director
Roy Boukens	Executive director
Patrick den Ouden	Executive director
Nancy Hasley	Non-executive director

The table below presents an overview of the Members of the Management Committee of AIE.

Director	Function
Jeff Radke	CEO
Roy Boukens	CRO
Patrick den Ouden	CFO
Chris Lee-Smith	COO
Frank O'Neill	CUO

B.1.3 Roles, Functions and Responsibilities

The diagram below shows the roles, functions and responsibilities of different key personnel within Accelerant.



B.2 Fit and proper requirements

The Company has in place a fit and proper policy. The objective of this Policy is to ensure that no person is appointed to or confirmed in a relevant person role unless they have been appropriately assessed by the Company to be fit and proper for the role in accordance with regulatory requirements. When evaluating the suitability of relevant persons in performing their roles within the Company, the criteria outlined below are considered.

B.2.1 Fitness

Every Relevant Person must be fit for their role and responsibilities and hold the qualifications, knowledge and experience relevant and necessary to ensure that the role is managed in a professional manner with the necessary degree of management and technical competence.

In assessing the fitness of a person, his / her professional competence and capability are considered. This assessment is based on the person's previous experience, knowledge, and professional qualifications and should demonstrate due skill, care, diligence and compliance with the relevant standards for the area sector they have worked in.

The Company shall specifically take into consideration the following aspects, amongst others, as part of its assessment:

- Whether the person has relevant experience, sufficient skills, knowledge and soundness of judgement to properly undertake and fulfil the particular duties and responsibilities;
- Consideration of the diligence with which the individual is fulfilling or is likely to fulfil their duties and responsibilities;
- Whether there is any conflict of interest arising from the person holding any appointments, roles or positions outside of the Company (including directorships, trusteeships, partnerships and other appointments) that may impact the person's independence and / or give rise to conflicts of interests in the performance of the activities associated with the person's role;
- Whether the person has had experience of similar responsibilities previously, and their record in fulfilling them;
- Whether the person has appropriate qualifications and training, as applicable; and
- Whether the person is able to commit time to the Company's affairs in light of other commitments that may arise or exist as a result of other appointments.

All individuals must maintain their competence for the role they fulfil, by attending appropriate training for maintaining their competence.

Collectively the Members of the Board have the knowledge, competence and experience that include the following as a minimum:

- Market knowledge i.e. an awareness and understanding of the wider business, economic and market environment in which the Company operates, particularly of insurance and financial markets relevant to the operations of the Company;
- Business strategy and business model i.e. an appropriately detailed understanding of the Company's business strategy and model;

- System of governance i.e. the awareness and understanding of the risks which the Company is facing and the capability of managing them. Furthermore, the ability to assess the effectiveness of the Company's arrangements to deliver effective governance, oversight and controls in the business;
- Financial and actuarial analysis i.e. the ability to interpret the Company's financial and actuarial information, identify key issues, put in place appropriate controls and take necessary measures based on this information; and
- Regulatory framework and requirements i.e. an awareness and understanding of the regulatory framework in which the Company operates, and the regulatory requirements and expectations relevant to it and the capacity to adapt to changes which stem from the regulatory framework without delay.

By collective knowledge the members of the Board are not each expected to possess expert knowledge, competence and experience within all areas of the Company. However, the collective knowledge, competence and experience of the Board as a whole has to provide for the sound and prudent management of the Company.

When changes occur within the Board (e.g. replacement of one of its members), the Company is expected to be able to demonstrate that the collective knowledge of the members of the Board is maintained on an adequate level to ensure the sound and prudent management of the Company.

B.2.2 Propriety

The honesty, financial soundness and reputation of every relevant person must be assessed by the Company to determine that they are of good repute and integrity, based on relevant evidence regarding their character, personal behaviour and business conduct including any criminal, financial and supervisory aspects, regardless of location but taking account of any applicable period of limitation in respect of any committed offence.

A candidate is considered to have a good reputation if there is no reason to assume anything to the contrary. Any indications that may give rise to well-founded doubts about the ability of the candidate to ensure a reliable and prudent management are detrimental to a good reputation.

The Company shall specifically take into consideration the following aspects, amongst others, as part of its assessment:

- The probity of the person concerned;
- The person's reputation and character inter alia, whether the person has a criminal record;
- Convictions for fraud or other dishonesty;
- Whether the person has contravened any provision of insurance, banking, investment or other legislation designed to protect members of the public against financial loss, due to dishonesty, incompetence or malpractice;
- Whether the person has been involved in any business practices appearing to be deceitful or oppressive or improper or which otherwise reflect discredit on his method of conducting business;

- A person's record of compliance with various non-statutory codes insofar as they may be relevant to the interests of policyholders and potential policyholders;
- Whether the person has been censured or disqualified by any relevant professional or regulatory bodies.

The areas outlined in this section should be used to determine if personal reliability exists in a certain area or not. Information provided by the candidate should be verified and, if necessary, own investigations shall be carried out.

Notwithstanding the above, having previous infringements does not automatically result in the person not being assessed as proper for the duties he / she is to perform. It is recognised that, while criminal, disciplinary or administrative convictions or past misconduct are significant factors, the assessment of the fit and proper requirements is to be done on an individual case-by-case basis.

B.2.3 List of persons responsible for Key Functions

Function	In-house or Outsourced	Function responsibility	Oversight responsibility
Compliance	In-house	Maïté De Waegenaere	Chairperson of the Audit and Risk Committee
Internal Audit	Outsourced	KPMG Belgium and KPMG Malta[1]	Chairperson of the Audit and Risk Committee
Risk Management	In-house	Roy Boukens	Chairperson of the Audit and Risk Committee
Actuarial	In-house	Dave Gronski	Board of Directors
Finance / Accountancy	In-house	Patrick den Ouden	Board of Directors
Claims	In-house	Chelsea Perkins	Management Committee
Technology	Outsourced	Accelerant Services (UK) Limited (Contact: Paul Holden)	Management Committee
Underwriting	In-house / Outsourced	Frank O'Neill (CUO) Accelerant Services (UK) Limited	Management Committee
Operations	Outsourced	Accelerant Services (UK) Limited (Contact: Richard Lester)	Management Committee
Investments	In-house	Patrick den Ouden	Management Committee
Reinsurance	Outsourced	Accelerant Services (UK) Limited (Contact: Rich Koehler)	Management Committee

[1] The internal audit function was outsourced to Grant Thornton as of the 1st of January 2022

Whilst the Functions above are outsourced, all decisions are still made by Accelerant Insurance Europe NV / SA.

B.3 Risk management system including the own risk and solvency assessment

B.3.1 Risk Management Function

Accelerant has established and maintains a risk management framework, with oversight from the Audit and Risk Committee, the Management Committee and the Board of Directors, to address all existing as well as evolving or emerging risks that materially impact or have the potential to materially impact the adequacy of its financial resources, the volatility of its results, the expected shareholder returns or its ability to meet its commercial, legal and regulatory obligations.

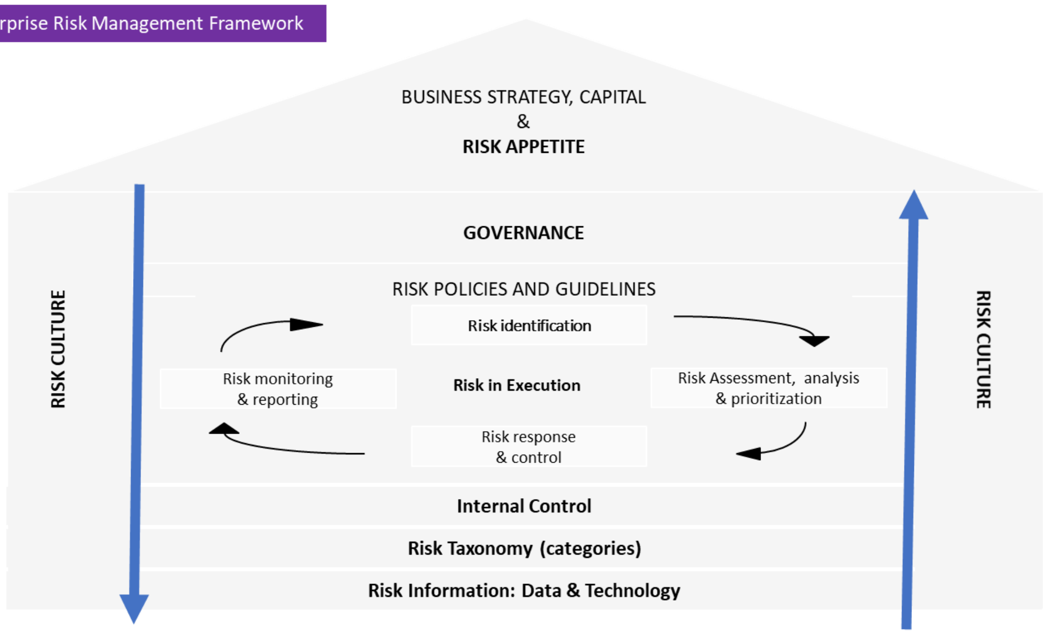
The Company's risk management framework:

- is embedded in both the organisation structure and strategic oversight process, supported by appropriate internal control policies and procedures;
- is supported by information systems that appropriately capture underwriting, investment, and operational data and provide relevant, accurate, and timely information to the applicable business functions;
- has incorporated techniques necessary to identify, measure, respond to, monitor, and report, on a continuous basis and on an individual and aggregate level, all material risks together with emerging risks;
- provides for periodical reviews of the operating environment to ensure material risks are assessed and monitored, and appropriate actions are taken to manage exposures and adverse developments;
- specifies objectives, risk appetite and risk tolerance levels, and appropriate delegation of oversight, reporting, and operating responsibilities across all functions;
- provides for reporting systems that are appropriate to the Company's business activities taking into consideration any outsourcing of responsibilities and safeguarding of assets; and
- documents all significant policies and procedures associated with the Company's risk management framework.

Kindly refer to section C for an explanation of the processes and reporting procedures of each risk category.

The structure of the Risk Management Framework is depicted below:

Accelerant's Enterprise Risk Management Framework



The elements within the Enterprise Risk Management Framework contribute to the identification, measurement, monitoring, management and reporting of risks and is intended to work as an integrated system. Each element is embedded effectively within the Company and managed by the Risk Management Function, with assistance from the Risk and Control Owners and appropriate oversight of the Audit and Risk Committee, Management Committee and Board of Directors.

B.3.1.1 Prudent Person Principle

The Prudent Person Principle ("PPP") refers to the process which ensures that all investment activities are appropriate in the context of the risk associated with the invested assets and underlying activities. The Company has a prudent approach to investment risk, with a focus on credit quality and liquidity in the selection of investments, whilst also avoiding unnecessarily complex investments instruments. In meeting these requirements, the Company seeks to achieve a risk commensurate to the expected level of return.

The Company seeks to invest in instruments whose risks can be properly identified, measured, monitored, managed and reported, whilst taking cognisance of the Company's overall solvency needs.

The Company prioritises high credit quality and liquid investments, by investing in units of collective investment schemes, that will allow the company to redeem part of the investment should liquidity be required. This is called Strategic Asset Allocation. The Company does not currently hold any derivative financial instruments. The Company's business strategy for investments ensures that the invested assets are appropriate in light of the Company's liabilities and risk profile. Policy discussions are held regularly between the Management Committee, Board of Directors, relevant key function holders and the portfolio manager.

B.3.1.2 *Appropriateness of external credit rating assessment*

The Company has also implemented certain procedures to monitor and report, on a regular basis, the investment activities and associated risks in terms of the Company's solvency position. The monitoring activities include stress testing to analyse the impact of any market fluctuations on capital requirements and are reported periodically to the CFO, CRO, Compliance Officer, the Management Committee and the Board of Directors as appropriate.

The Company uses external credit ratings to evaluate and monitor the credit risk of the underlying investments within the collective investment schemes as part of its the investment portfolio. On a monthly basis the Fund Manager provides the Company with a report which amongst other information provides the credit rating composition of each fund, through which the Company assesses whether the underlying assets are in line with within its risk appetite. On a periodical basis, the Fund Manager is invited to the Board of Directors meetings to provide the Board with more information as required.

Additional oversight is provided by AIE's Group Investment Committee, where the Fund Manager also provides periodical information on the investments. Suggestions are then provided to the Management Committee and the Board of Directors of AIE for discussion and approval.

B.3.2 ORSA Process

Accelerant's ORSA process is made up of the following elements:

- Risk and Control Register;
- Risk Appetite Statement ("RAS");
- Business Plan;
- Stress and Scenario Tests;
- Own Solvency Needs ("OSN");
- Capital Management Plan.

The ORSA follows on from certain risk management processes which the Company carries out as part of its risk management framework and which are required to be undertaken on at least an annual basis.

B.3.2.1 *Risk and Control Register*

The Risk Management Function maintains a Risk and Control Register, incorporating all the risks faced by the Company. The Risk and Control Register is reviewed and updated at least annually, in consultation with the Risk and Control Owners of each individual risks. The Register looks at the risks on an inherent and residual level, after assessment of the risk mitigation and controls. The Register is thoroughly reviewed by the Chief Risk Officer and the risk management team, by the Audit and Risk Committee and formally approved by the Board of Directors. The Register is tracked periodically by the Risk and Control Owners who report to the Risk Management Function in line with the reporting frequency. The Risk Management Function then reports to the Audit and Risk Committee, the Management Committee and the Board on a quarterly basis, or more frequently if needed.

B.3.2.2 Risk Appetite Statement

The Risk Management Function maintains a RAS, incorporating key metrics that reflect the Board's appetite and tolerance limits to various risks. The RAS is further supported by a set of Key Risk Indicators ("KRIs"). The RAS and KRIs are reviewed and updated at least annually, in consultation with the Risk Owners of each individual risk. It states appetite and tolerance levels, where possible in a metric which can be quantitatively measured. Compliance with such metrics is tracked periodically by the Risk Owners who report to the Risk Management Function in line with the reporting frequency. The Risk Management Function monitors and then reports to the Audit and Risk Committee, the Management Committee and the Board of Directors on a quarterly basis or more frequently if needed. The RAS is thoroughly reviewed by the Audit and Risk Committee and formally approved by the Board of Directors.

B.3.2.3 Business Plan

The financial projections as approved by the Board of Directors are utilised for the forward-looking part of the ORSA. These include an explanation of the assumptions used, upon which the projections are based. The Finance Function is responsible to lead this, with assistance from other departments, including the Risk Management Function.

B.3.2.4 Stress and Scenario Tests

The Risk Management Function, in liaison with other departments (such as Actuarial, Finance and Underwriting), presents the Stress and Scenario Tests to the Audit and Risk Committee, the Management Committee and the Board of Directors. The choice of stress and scenario tests are also presented before being implemented and are wide enough to incorporate different areas of vulnerabilities that the Company might face, whilst allowing the flexibility to all involved to influence choices considering the latest as well as future developments, internal and external factors. The choice of Stress and Scenario Tests at least considers stressing underwriting risk, claims risk, market volatility risk and interest rate movements. From 2022 onwards, climate change will also be considered.

The Finance Function, with assistance from other functions, are responsible to reflect the stress or scenario assumptions and produce financial projections reflecting the effect of the various stresses.

The Actuaries calculate the SCR calculations based on the realistic and stressed scenarios financial projections, using the Solvency II's Standard Formula. Liaison with the different functions is also important to ensure that all assumptions, underwriting, reinsurance protections and so on are reflected correctly in the SCR calculation.

B.3.2.5 Own Solvency Needs

The Risk Management Function, with assistance from other functions, calculate the OSN, i.e. the Board's own view of its own risks and its required capital in a manner that might be different from the SCR's Standard Formula. The OSN are thoroughly discussed by the Management Committee, the Audit and Risk Committee as well as the Board of Directors, prior to being approved. The OSN capture the Standard Formula's risk modules, i.e. Non-Life, Health, Default, Market, Operational and Adjustments, in addition to a diversification element, if deemed necessary by the Board. The OSN further consider risks which are not included under the Standard Formula.

The Risk Management Function, with assistance from the Actuaries, has undertaken a comparison of the OSN with the projected realistic SCR calculation in the 2021 ORSA.

Amongst others, the comparison endeavoured to understand whether the Standard Formula is suitable for the Company. This process takes a holistic view of the Board's own view of the capital required by the Company and includes risks that are not captured by the Standard Formula. The need for any Capital Add-Ons have also been discussed and were deemed not needed.

The results of the ORSA, such as but not limited to the Management Actions that will arise from the Financial Projections, SCR calculations and the Own Solvency Needs calculation, are taken into consideration within the Company's business plan and shape the Capital Planning of the Company. These serve as proactive measures to ensure that the Company is prepared for such eventualities as reasonably possible, whilst ensuring that the Company retains its targeted solvency levels at all time.

The ORSA Process is reviewed and approved at every juncture of the individual process as well as every time the ORSA Process is undertaken. Typically, the Company considers that undertaking the ORSA annually is sufficient for the Company, but the Company has triggers in place to undertake the ORSA more frequently if needed.

B.3.3 Contingency plans

Accelerant has in place an Operational Resilience and Business Continuity policy to ensure that the Company can continue to execute its critical processes and services in the event of an incident or disaster. Accelerant is also executing a Business Impact Analysis in 2022 to test the resilience of the Company and the policy.

Accelerant apply the following resilience principles:

- Address all risks that may jeopardise the company, its key assets and its members;
- Minimise the effects of a business disruption event and maintain operations at an appropriate level;
- Resume a business as usual state as soon as possible for prioritized activities;
- Promote business continuity planning and preparedness;
- Plan for foreseeable events;
- Plans are understandable and easy to use.

B.4 Internal control system, Compliance function, Integrity and IT infrastructure

B.4.1 Internal control system

The Company has in place a comprehensive Internal Control System ("ICS"), that ensures effective internal controls are in place in all areas of the business. The ICS in place is focused on the principles of Enterprise Risk Management ("ERM"), as defined by the Committee of Sponsoring Organizations ("COSO") model. ERM is including in the strategic planning of the Company and it is embedded throughout the organisation, as risk influences and aligns strategy and performance across all departments and functions.

The Company defines Internal Control as a process, conducted by its Board, key functionaries and employees, designed to provide "reasonable assurance" that business objectives are achieved by:

- Securing compliance with applicable laws, regulations and control processes;
- Ensuring processes are effective and efficient;
- Ensuring that sufficient and reliable financial and non-financial information is available to effectively manage the business.

The Internal Control System helps the Company to improve performance both in favourable and unfavourable situations; execute the business plan; exploit business opportunities; mitigate adverse effects of both internal and external effects, creating an added value for the Company.

B.4.2 Compliance function

The Compliance Function is a key function, established as an independent control function. It sits in the second line of defence. The Compliance Function gives due importance to honesty and integrity through a corporate culture focused on good business conduct. In order to ensure the integrity and control of compliance risks, the Compliance Function refers to the principles applicable to the function, notably for its missions and governance.

The Compliance Function also has a duty to apply continuous improvement as to how these following activities are performed:

- Financial Crime;
- Know Your Customer ("KYC") / Due Diligence;
- Fraud;
- Scoping emerging regulations;
- Code of conduct / Ethics;
- Regulatory visits / reviews;
- Regulatory advice and communication;
- Support business divisions by providing specialist advice and training;
- Data Privacy;
- Governance;
- Outsourcing;
- Product Filings;
- Entity licensing;
- Product governance and distribution;
- Continuously assess the state of compliance through monitoring, reviews and self-certification.

The Compliance Function is responsible for specific objectives mainly oriented on risk assessment within the compliance domains. In addition, it operates within a set of compliance policies and procedures framework in accordance with the regulatory framework. The Compliance Function also ensures the proper implementation of policies, procedures and guidelines within the Company through testing and monitoring exercises.

The Compliance Function ensures that it fits coherently into all the Company's control functions. In a group context, the Compliance Function coordinates with the departments of the other entities linked to the Company.

The Company has adopted a compliance policy together with an annual compliance plan which the Compliance Function adheres to. Both the policy and the plan are approved by the Board and reviewed annually. The Compliance Function monitors progress made against the Compliance Plan on an annual basis and reports to the Audit and Risk Committee, the Management Committee and to the Board.

Directors, key function holders and employees are required to escalate any compliance issues to the Compliance Function as and when these arise.

Oversight responsibility of the Compliance Function rests with the Audit and Risk Committee.

The Compliance Function has maintained its position as an advisory role to the Administrative, Management, and Supervisory Body ("AMSB") on compliance with the laws and regulations. The Function has also assessed various compliance risks and is the Risk Owner of such Compliance Risks and joint-owner of the Internal Control System.

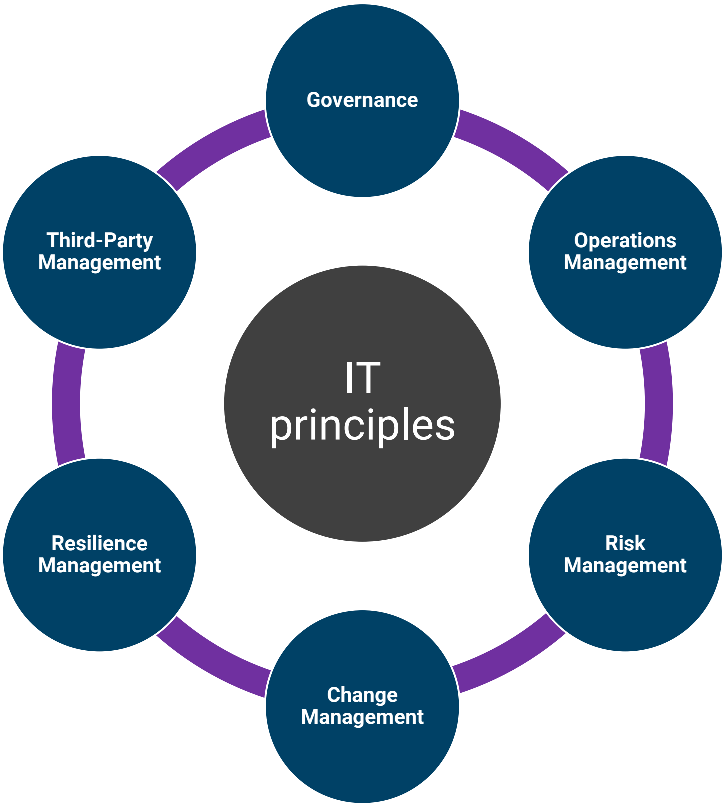
B.4.3 Integrity Policy

The Board of Directors delegates authority to the Compliance Officer to be responsible for the Compliance Function and ensure that the compliance process is running effectively and that the Company, it directors, the Management Committee, its staff members and authorized agents adhere to statutory, regulatory, supervisory and best practice requirements regarding business integrity.

An Integrity policy and other related policies are in place, to ensure that all actions are handled in line with the prescribed integrity standards. Potential conflicts of interest are reported in due time and no current conflicts of interest have been identified to date.

B.4.4 IT infrastructure and continuity

The Company has embraced a Cloud operating model for infrastructure, application, and computing resources. The IT Management Framework applied at Accelerant is inspired by Information Technology Infrastructure Library ("ITIL"). It is applied in a fashion that fits Accelerant's objectives and structure. The following framework has been defined:



The following principles are in place:

- Federated IT Model with the Business in the lead to execute certain specified application controls
- Bespoke approach is implemented, which is tailored to the set-up of Accelerant.
- Governance is applied proportionately in line with the size and complexity of the organisation

B.5 Internal audit function

The role of the Internal Audit Function is to assist the Company's Board and management to attain the Company's goals by providing an independent and objective assurance designed to add value and improve an organization's operations. This is accomplished through independent review and evaluation of the effectiveness of operations and controls and by providing objective analyses and constructive recommendations. Management retains full control over the implementation of these recommendations. The CEO is the personne relais for the internal audit function.

The Internal Audit Function performs all of the following tasks:

a) Establish, implement and maintain an audit plan setting out the audit work to be undertaken in the upcoming years, taking into account all activities and the complete system of governance of the Company;
b) Take a risk-based approach in deciding its priorities;
c) Report the audit plan to the Audit and Risk Committee and the Board;

d) Issue recommendations based on the result of work carried out in accordance with point (a) and submit a written report on its findings and recommendations to the AMSB; and
e) If requested, verify compliance with the decisions taken by the AMSB on the basis of those recommendations referred to in point (d).

The Internal Audit Function provides the Audit and Risk Committee and all levels of the Company's management with an independent assessment of the quality of internal controls and administrative processes and provides recommendations and suggestions for continuous improvement. The Internal Audit Function conducts investigations on an ad-hoc basis as requested by management and has the responsibility for assisting in the development and operations of the Company's internal control system.

To ensure independence and objectivity of the department, the Internal Audit Function is outsourced to KPMG Belgium and KPMG Malta until 31 December 2021 and Grant Thornton as of 01 January 2022. The function sits in the third line of defence and has the authority to:

- have access to, or make enquiry into, all of the Company's records, information and assets which it considers necessary for the performance of its functions;
- require all members of staff and outsourced service providers to supply such information and explanations as may be needed within a reasonable period of time;
- have direct access to the Board; and
- there shall be no operational areas or levels within the Company or its third-party service providers precluded from internal audit review.

B.5.1 Internal Audit Policy

The Internal Audit Policy provides the framework, guidelines, requirements and minimum standards for carrying out the Internal Audit Function of AIE taking into consideration the Company's nature, scale and complexity of its activities.

The Company establishes and maintains an Internal Audit Function (as an outsourced function by the Company to KPMG Belgium and KPMG Malta until 31 December 2021 and to Grant Thornton as of 01 January 2022) to independently evaluate the effectiveness of its risk management, control and governance processes on an ongoing basis to assist the Board in its oversight responsibilities.

The purpose of this Policy is to set specific requirements and define roles and responsibilities for ensuring that the Internal Audit Function carries out its responsibilities in an effective manner in order to meet the requirements of Solvency II and to assist the Board as described above.

The Internal Audit Function shall provide all levels of the Company's management with an independent assessment of the quality of internal controls and administrative processes and provide recommendations and suggestions for continuous improvement. The Internal Audit Function shall conduct investigations on an ad-hoc basis as requested by management and has responsibility for assisting in the development and operation of the Company's internal control system.

The Policy is owned by the Chairman of the Audit and Risk Committee and forms part of the repository of business policy documentation.

This Policy is be reviewed by the CRO and the Chairman of the Audit and Risk Committee, at least on an annual basis, to ensure that the policies and procedures reflect the latest legislative and regulatory requirements, new strategic plans and any changes to the business model, organisational and governance structure of the Company.

The Audit and Risk Committee is responsible to review and pre-approve changes to the Policy on an annual basis and to recommend them to the Board for final approval.

B.5.2 Internal Audit Cycle

As of the 01 January 2022, the internal audit function will be outsourced to Grant Thornton. It is planned to perform 4 audits in 2022 on the following topics:

- Technology Infrastructure and Cloud computing;
- Backbone Finance system – European post implementation review;
- Claims oversight and Referrals;
- Outsourcing and Third Party Risk Management;
- Thematic governance review;
- Second Line Effectiveness;
- Cyber risk and information security;
- Contract Management.

B.6 Actuarial function

The Actuarial Function ensures the application of sound actuarial techniques to the risks assumed by the Company on a consistent basis enables the Company to:

1. Understand, monitor, report and manage its insurance underwriting risk profile;
2. Evaluate its capital needs and capital deployment strategies;
3. Meet its obligations to shareholders, policyholders and regulators.

The Company has established and maintains an effective actuarial function appropriate to the nature, scale, complexity, and profile of risks to which the Company is exposed. The Company ensures that the appointed actuary meets the required criteria on fitness and propriety related to the performance of the actuarial function. The Company's Actuarial Function is objective and free from undue influence of other parties. The Actuarial Function will establish and maintain appropriate procedures, processes and systems sufficient to allow the Company to reasonably estimate its policyholder obligations, potential insurance and reinsurance exposures, and capital requirements consistent with applicable laws and recognised industry standards.

This year, the Actuarial Function provided the following reports to the Board of Directors:

- Annual Plan and Activities List;
- Portfolio Transfer Report on transfer from AIL to AIE;

- Actuarial Function Report on Australia (Recyclesure) on request of the NBB;
- Actuarial Function Report on Technical Provisions;
- Actuarial Function Report on Reinsurance;
- Actuarial Function Report on ORSA.

B.7 Outsourcing

The Company has in place an outsourcing policy which sets out the internal processes and controls for the management of outsourcing. In applying this Policy, the Company will:

- when relying on a third party or other affiliated entities for the performance of operational functions which are critical for the performance of regulated activities, listed activities or ancillary services on a continuous and satisfactory basis, maintain oversight and accountability for these functions as if they were performed internally and subject to the Company's own standards for corporate governance and internal controls;
- ensure that written outsourcing agreements clearly set out responsibilities of the service provider under such agreements, including terms of compliance with jurisdictional laws and regulations, cooperation with the Regulator and other relevant competent authorities, and timely access to data and records;
- notify the Regulator of outsourcing agreements on important / key or critical activity and submit the respective agreement to the authority for approval prior to signing;
- maintain a written outsourcing agreement in the form of a service level agreement in instances where the appointed service provider is a legal entity within Accelerant Group.

All outsourcing agreements follow the NBB's Outsourcing Guidelines as well as the Outsourcing legal framework (law of 13 March 2016 on the supervision of insurance companies). Therefore, the Company ensures compliance with the general rules for Outsourcing, especially for critical and important functions. The Company takes the appropriate diligence during the evaluation of the risks and safeguards the contractual framework adapted to the authorities' expectations.

For this purpose, the Outsourcing files contain the following documents and elements:

- List of new members due to the outsourcing;
- Signed and dated statement of the person responsible for the compliance function on compliance with the prudential rules in relation to governance;
- Sub-delegation agreement;
- Additional information and annexes to be submitted if the outsourcing includes the conservation of insurance or reinsurance documents;
- Completed classic procedure forms on the data retention location of insurance related documents;
- Copy of the delegation agreement; and
- Confirmation of compliance with section 7.4.3. of the Circular NBB_2016_31.

The Company may provide changes to the constitution of the Outsourcing files in case of important changes such as regulatory or legal modifications. The Company is also available to answer any enquiries from the authorities regarding any Outsourcing notification.

B.7.1 List of current material outsourcing arrangements and the jurisdictions they operate in:

Outsourced Function	Jurisdiction
Internal Audit	Belgium
Technology	United Kingdom
Underwriting	Belgium and United Kingdom
Operations	United Kingdom
Reinsurance	United Kingdom

B.7.2 Persons responsible for outsourced functions

Outsourced Function	Responsible Person	Outsourced Entity
Internal Audit	Jeff Radke	KPMG Belgium and KPMG Malta
Technology Support	Chris Lee- Smith	Accelerant Services (UK) Limited and Accelerant Services (US) Limited
Underwriting Support	Frank O'Neill	Accelerant Services (UK) Limited
Operations	Chris Lee-Smith	Accelerant Services (UK) Limited
Reinsurance	Patrick Den Ouden	Accelerant Services (UK) Limited

Whilst the Functions above are outsourced, all decisions are still made by Accelerant Insurance Europe NV / SA.

C. Risk Profile

The Board of Directors and the Risk Management Function review the risk profile of the company periodically.

C.1 Underwriting risk

The Company has identified a number of insurance risks falling within the remit of the Chief Underwriting Officer. These underlying risks include the Underwriting Concentration, Reserve Risk, Underwriting Fraud or Error, Lack of Underwriting Expertise, Data Quality risk, Delay risk, Unintended Coverage risk through Policy Wording and Catastrophe Risk. Whilst an element of these risks is the standard insurance / underwriting risks any insurance company faces, other elements include risks emanating from the Company's strategy to focus on insurance business underwritten through Members. There are several mitigations and controls in place to treat these risks. These include:

- Limitations around the line size limits;
- Detailed underwriting parameters Portfolio Modelling assists with the visualisation of aggregated risks;
- Monthly meetings with Members and TPAs involving underwriting, claims and actuarial teams to discuss ongoing matters and tackle any issues;
- Specialised audits carried out on Members and TPAs periodically;
- Quota Share reinsurance cover in place, together with Excess of Loss reinsurance covering specific risks and catastrophic events;
- Binder controls checks in place;
- Unexpected deviations are immediately investigated;
- Reserve reviews are carried out at least every 6 months;
- Underwriting, Member and TPA audits are carried out on a risk-based frequency
- Treaty and Facultative Reinsurance in place.

C.2 Market risks

C.2.1 Market risk

Market risk concerns the non-performance of the appointed investment manager or investments under management, which negatively impact Accelerant's capital and liquidity, resulting in insufficient funds available for payment of claims. Fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments, for example through Foreign Exchange ("FX") rates or interest rates, resulting in realised losses on the investment portfolio, is also another risk.

The risk is managed through Service Level Agreements and outsourcing contracts in place with the investment manager, Mercer, which are monitored by our Treasury Department and reported to the Management Committee, Audit and Risk Committee and the Board. Furthermore, both the Board and Management maintain oversight of the Investment Manager and the investments through quarterly reports provided by Mercer on the performance of the investments.

Internal Auditors and external regulators further oversee the investment function through Audits and SII reporting. Investments are held within two different portfolios, with the underlying assets being highly diversified.

C.2.2 Asset Liability Management Risk

Asset Liability Management ("ALM") risk results from an insufficient amount, a different currency or a different timing or duration of assets and the Company's liabilities, resulting in a mismatch.

ALM risk is mitigated through having assets held in cash equivalents, thereby being accessible immediately for claims payments. Accelerant aims to retain €10,000,000 with an escrow account (held at Barclays Bank PLC), topped up on a monthly basis, as a claims fund, whereby TPAs can access for claims payments. There is also an aim to have an additional float of €1,500,000 as cash at bank. Any excess funds over and above will be invested with the investment manager, Mercer, in collective investment schemes with quick redemptions.

The investments are reviewed on a quarterly basis by the Investment Committee, the CFO and the Board, with specialist reports received quarterly by the investment manager.

The outsourced service provider that is engaged to handle inward premium payments, settle the premium in the original currency, being GBP, Euro, Swedish Krona and Norwegian Krona thus limiting the currency element of the risk. All premium payments to reinsurers are effected in euro.

C.3 Counterparty Default Risk

C.3.1 Counterparty Default Risk from credit institutions

The underlying risk is defined as a failure of banking or credit institutions or other corporates with which Accelerant has cash, cash equivalents or investments.

This risk is mitigated through having a diversified list of banking or credit institutions where Accelerant deposits its cash or cash equivalents, as well as having a diversified investment portfolio. Furthermore, the Company adopts a minimum credit rating for its banking counterparties at A- for Euro funds and A+ for GBP funds.

C.3.2 Counterparty default from insurance receivables by reinsurers and Members

Accelerant faces counterparty credit risk predominantly from receivables from reinsurers and Members. If reinsurance recoverables are delayed or cannot be recovered, this can put a strain on the company's finances. Limited ability to collect insurance receivables also affects the Company's liquidity. Credit risk can also rise due to over-exposure in foreign markets where such markets might have a liquidity shortfall, political issues, or different currency exposures. Accelerant's appetite is limited to countries within the EEA and the UK.

C.4 Liquidity risk

The underlying risk is that outstanding loss and loss adjustment expense reserves, including Incurred But Not Reported ("IBNR"), are deficient, resulting in the need to make significant reserve adjustments increasing the risk to wide fluctuations in the income statement and liabilities on the balance sheet. Liquidity risk can arise from insufficient amount, currency or timing / duration of assets resulting in a mismatch with the liabilities of Accelerant and through a liquidity issue with a reinsurer's pay-out.

C.4.1 Expected profits included in future premiums

The calculation of best estimate of technical provisions considers the expected profits from future premiums (as a reduction in the best estimate value when positive, or a higher value in the case of expected losses).

C.5 Operational risk

Operational risk is a key risk for Accelerant and has many different aspects. Operational Risks include human resources, internal fraud, outsourcing failure or fraud, finance risks, reliance on third parties for regulatory returns, third party risk, IT operational risks, development risks and distribution risks.

C.6 Other Material Risks

C.6.1 Reinsurance Risk

Reinsurance Risk can be analysed from several different angles, which are discussed below. One of the risks is that of not finding the right reinsurance partners, due to not enough capacity, not at the right pricing, not at the required credit strength, resulting in under-reinsurance or increased cost. Another risk is that the data provided to reinsurers is incorrect, thereby the reinsurance pricing is too high, or the reinsurance protection bought is not enough.

Other risks include that the reinsurance contractual terms do not adequately cover what Accelerant writes, resulting in more retained risk exposures than intended and reinsured; that reinsurance recoverable cannot be recovered due to solvency issues, thus putting a strain on the company's finances; and that reinsurance is placed with reinsurers in unstable locations, which gives rise to the risk of failure or delay of payment due to geopolitical or political reasons.

Accelerant might also reinsure excess concentration with any one reinsurer or within the same country for reinsurers, resulting in the aggregation of reinsurance risk. Finally, the risk that the Group reinsurance is exhausted, resulting in reinsurance gaps for any additional losses or other entities, and / or additional costs to reinstate cover.

C.6.2 Compliance and Legal Risk

Being a regulated entity, Accelerant faces several legal and compliance risks, originating from the insurance regulatory regime, company law and other sectoral primary and secondary legislation requirements (e.g., employment, tax etc.), as well as other international regulatory frameworks. These include records management, legislative and regulatory compliance, international trade or financial sanctions, other non-insurance regulatory compliance, financial crime risks, corporate governance risks, data protection risks, complaints handling risk and local regulatory management.

C.6.3 Strategic risk

There are five key Strategic Risks that Accelerant faces, which are

- Jurisdiction reputation;
- Group systemic risk;
- Credit rating;
- Reputation risk;
- Incentives.

These are mitigated via strong intra-group internal controls, a strong capital base and a highly qualified and competent employee base.

C.6.4 Technology Risk

Technology risks include IT Project Management delivery risk, Data Leakage risk, Forensic trail of data risk, lack of endpoint management risk, Accelins.com O365 and azure tenant configuration risk, information security risk, service interruption risk and disaster recovery risk. The mitigation and controls are discussed below:

- A project management team which manages all IT projects and ensure due diligence prior to the commencement of any project;
- Accelerant has various security protocols in place to ensure no data is lost or leaked;
- Encryption and multi-factor authentication;
- Business Continuity Management and Disaster Recovery in;
- Full back-up of the cloud on an alternative platform, to be used in case of a systemic risk of the current cloud services provider.

C.6.5 Emerging Risks

The risk is that unforeseen or unrecognized events (typically known as emerging risks) adversely impact the Company's financial resources, earnings stability, scheduled dividends, or ability to meet the Company's commercial obligations.

Emerging risk is reported by the CRO at every Audit and Risk Committee meeting and Board meeting. Business Leadership continually scan the industry for potential new exposures and analyses related scenarios based on the in-force portfolio to evaluate potential impact. Terms and conditions are written or modified accordingly to limit the possibility of underwriting undesired risks on a large scale.

Ad hoc assessments are made when the situation asks for it. For example, in the case of an external threat increase or an event a detailed additional thematic risk review is performed.

C.7 Stress and Scenario Testing

Accelerant has undertaken six stress scenarios as part of its 2021 ORSA. In defining these analyses, the Board considered different scenarios that the Company could be exposed to in a 1 in a 200-year event.

The following stresses were performed:

- Stress Scenario 1: Increase in Gross Written Premium
- Stress Scenario 2: Decrease in Gross Written Premium
- Stress Scenario 3: Increase in Loss Ratio
- Stress Scenario 4: Large Loss
- Stress Scenario 5: Reinsurer(s) Downgrade
- Stress Scenario 6: Inclusion of Accelerant Re within the Reinsurance Structure

Each scenario had detailed underlying assumptions, with a number of stresses that had a number of different underlying scenarios per stress test.

In all the stressed scenarios, the Company maintained an SCR cover rate above the 100%. One of the management actions identified is restoration of desired solvency levels, precisely the targeted SCR cover rate appetite of 150%, through additional capital contributions, and such contributions highlight the reliance of the Company on its Group and its ultimate Shareholders. The Shareholders have committed to continue supporting the Group through capital commitments. Additionally, the wider Accelerant Group has also raised in excess of $230m of capital from alternative sources to support its growth, with this capital being available to AIE.

C.7.1 Reverse Stress Testing

The Company has tested a number of possible reverse stress scenarios. Reverse stress testing entails that the Company identifies what can make it fail, rather than applying a stress and assessing whether it will remain solvent. AIE identified a combination of three scenarios which made the Company go beyond the 100% SCR cover rate.

C.7.2 Results and Management Action

The resulting SCR position fell below the 100% cover rate. Management is convinced that, in the highly unlikely event of occurrence of the combination of these there events altogether, various measures would be triggered, including underwriting measures and capital contributions from the shareholder to increase the targeted SCR cover rate of 150%.

Finally, the Company maintains that it is highly satisfied with the diversification and strength of its insurance portfolio and its reinsurance panel and therefore these risks are well mitigated.

D. Valuation for Solvency Purposes

In general, Solvency II valuation requires a market consistent approach to the valuation of assets and liabilities.

Within Accelerant, the default framework for valuing assets and liabilities is IFRS. As such, Accelerant Insurance Europe produces a full set of accounting figures under IFRS. Nevertheless, for prudential and local reporting purposes, the accounting framework is BEGAAP. The general rule is that the BEGAAP valuation principle does not reflect a market consistent valuation (e.g. amortised cost), but the valuation is rather based on the prudence principle (or Lower of Cost or Market approach) and historical acquisition cost as starting point.

D.1 Assets

The value of each of material class of asset as well as the basis used and main assumptions for valuation as described below.

Class of Assets	Ref.	BEGAAP (in €)	Solvency II (in €)
Goodwill	a	7,926,807	0
Deferred Tax Assets	b	0	285,463
Deferred Acquisition Costs	c	0	0
Intercompany Loan	d	5,000,000	5,063,910
Collective Investment Undertakings	e	92,883,531	93,900,996
Reinsurance Recoverables	f	243,432,764	219,630,525
Insurance Receivables	g	163,914,996	100,215,974
Reinsurance Receivables	h	109,628,961	0
Receivables (trade, not insurance)	i	1,766,622	1,766,622
Cash & Cash Equivalents	j	26,908,349	54,855,018
Any Other Assets	k	28,232,610	223,861
Total Assets		679,694,639	475,942,369

D.1.1 Valuation bases, methods and main assumptions

The valuation methods for the assets classes highlighted above are set out below. For some asset classes, differences between the BEGAAP and Solvency II valuation can be observed:

a. **Goodwill:** This represents the unamortised difference between the BEGAAP value of the assets and liabilities acquired in the portfolio transfer with Accelerant Insurance Ltd per September 30th, 2021, and the purchase price of EUR 21.6 million. Under BEGAAP, goodwill is amortised linearly over ten years.
The goodwill shown in the BEGAAP balance sheet is a non-admissible asset under Solvency II.

b. **Deferred Tax Assets**: Under BEGAAP, a deferred tax asset or liability is always kept off balance. Only in specific circumstances a deferred tax liability is recognized on balance. In the Solvency II balance sheet, deferred taxes are valued on the basis of the difference between the tax bases of assets and liabilities and their carrying values. A positive value to deferred taxes is only attributed where it is probable that future taxable profit will be available against which the deferred tax asset can be used, taking into account any legal or regulatory requirements on the time limits relating to the carry forward of unused tax losses or credits.

c. Deferred Acquisition Costs: Under BEGAAP no capitalization of DAC is allowed. It is however included as part of the Unearned Premiums Reserve as a commission reserve. Under Solvency II, acquisition costs are not deferred but are taken into account as part of the cash flows and therefore in the valuation of the technical provisions.
d. Intercompany Loan: In the Solvency II balance sheet, loans are reported at market value, as opposed to nominal value under BEGAAP. Solvency II requires accrued interest to be presented as part of the interest bearing investments ('dirty market value') and not separately as other assets like under BEGAAP.
e. Collective Investment Undertakings: Under BEGAAP the collective investment undertakings (investments in Mercer asset funds) are valued at acquisition value. An impairment is required in case of a sustained and significant loss of value over a certain period of time. Under Solvency II, the investments are valued at market value.
f. Reinsurance Recoverables: In order to establish the Solvency II value for the reinsurance recoverables, an assessment of the best estimates of ceded reserves to the reinsurers has been performed in line with the company's evaluation of the technical provisions forming part of the liabilities. In arriving at the Solvency II value, the best estimate reserves have been replaced by the net present value of all future reinsurance cash flows estimated at their best estimate. In arriving at the net present value, the European Insurance and Occupational Pensions Authority ("EIOPA") Risk Free Interest rate curve as at 31 December 2021 was used to discount the future cash flows. Under BEGAAP, the valuation is in line with the technical provisions and should exclude deferred income.
g. Insurance Receivables: Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. As the receivables are predominantly short term balance sheet items, the difference between the BEGAAP value and the fair value under Solvency II is not material. As such, no revaluation is performed between BEGAAP and Solvency II. The insurance receivables are presented on a net basis under Solvency II, subtracting the commissions payable. This causes a classification difference in presentation between the Solvency II balance sheet and the BEGAAP annual accounts.
h. Reinsurance Receivables: Under Solvency II, the reinsurance receivables are netted with the reinsurance payables which results in a liability. This causes a difference in presentation between the Solvency II balance sheet and the BEGAAP annual accounts, where the reinsurance receivables and payables are not netted.
i. Receivables (trade, not insurance): This consists mainly of the Value Added Tax ("VAT") receivables of around €600k and intercompany receivables. As these

receivables are short term balance sheet items, the difference between the BEGAAP value and the fair value under Solvency II is not material. As such, no revaluation is performed between BEGAAP and Solvency II.

j. **Cash and Cash Equivalents:** In the BEGAAP balance sheet, cash and cash equivalents are reported at the notional amount, while in the Solvency II balance sheet, they are reported at market value. There are no valuation differences as the market value is not different from the notional value. Under BEGAAP, the Vitesse claims fund is not considered as cash and cash equivalent, while it is under Solvency II. This causes a difference in presentation between the Solvency II balance sheet and the BEGAAP annual accounts.

k. **Any Other Assets:** Under BEGAAP, the Vitesse claims fund is not considered as cash and cash equivalent, while it is under Solvency II. This causes a difference in presentation between the Solvency II balance sheet and the BEGAAP annual accounts.

D.2 Technical provisions

The Company presents below the information regarding the valuation of technical provisions by each material line of business for Solvency II purposes including:

- A quantitative explanation of any material differences between the Technical Provisions for Solvency II purposes and those used for financial reporting bases.
- A description of the Technical Provisions valuation bases, methods and main assumptions used for Solvency purposes and those used for financial reporting in the statutory accounts.

SII Technical Provisions	BEGAAP (in €)	Solvency II (in €)
Premium Provisions ("PP")		
Gross	141,624,544	112,491,429
Reinsurers' share	120,552,102	101,030,828
Net	21,072,442	11,460,600
Provisions of Claims Outstanding ("PCO")		
Gross	139,708,914	134,887,921
Reinsurers' share	124,083,022	118,599,697
Net	15,625,892	16,288,224
Provision for equalization & catastrophe (Other Technical Provisions)	924,071	0
Risk Margin	0	5,310,282
Gross Technical Provisions	282,257,529	252,689,631

D.2.1 Valuation bases, methods and main assumptions

D.2.1.1 Process to Calculate the Technical Provisions

The Technical Provisions ("TPs") are carried out in three stages, the first part is the calculation of the best estimate reserves used in the Audited Accounts and Group reporting. Second stage involves adjustment to the best estimate reserves to calculate BEGAAP Technical Provisions. The third stage is the calculation of the specific Solvency II ("SII") adjustments required for the SII TPs. The best estimate reserves are a significant element of the BEGAAP and SII TPs.

The reserving methodology applied by the Company is based on the results of several commonly used reserving methodologies. These include the loss development method, Bornheutter-Ferguson method, and the Initial Expected Loss Ratio ("IELR") method. Initially, the IELR method (ultimate expected cost) is relied upon. The IELR is calculated using the expected ultimate loss ratio multiplied by the premium volume. The expected ultimate loss ratio is determined through the Member's historical experience. This data is obtained at onboarding and an update is provided on a bi-annual basis by the Members. In most cases, this is done by applying the historical loss ratio adjusted for inflation and rate changes to the gross written premium projected for the year. The performance of the individual Members is monitored monthly and any material improvements or deteriorations are reflected in the results.

Under BEGAAP, specific allowance is made for the prudency margin, Unallocated Loss Adjustment Expenses ("ULAE") loading and the BEGAAP-speific provision for equalisation and catastrophe. Calculations are performed in line with the relevant laws and regulations.

D.2.1.2 Data

There have been no material issues in gaining the premium and claims data so far. There is, however, limited data and because many actuarial methods rely on having sufficient data this limits the available techniques. Benchmark data has been used for the payment patterns, used in the SII TP calculations.

D.2.1.3 Methodology

The key methodology used to generate the best estimate reserves is to set the Earned Loss Ratio equal to the IELR and this is then reviewed with judgement to assess if additional IBNR is required. As yet no Loss Ratios have been decreased to release reserves. The analysis is carried out for each Underwriting Year, with splits by Members and products or lines of business as deemed appropriate based on the volume of business written and the differences in the mix of business within a particular Member.

The methodology used to adjust the BEGAAP TPs to be SII TPs is to include the:

- Removal of BEGAAP prudency margin.
- Removal of Catastrophe equalisation reserve.
- Expected profit arising from the unearned premiums.
- Include an element for Binary events and Claims handling expenses.
- Unallocated Loss Adjustment Expense
- Discount benefit
- Risk margin

These adjustments are made at the total level, i.e. not by accident year.

D.2.1.4 Assumptions

A key assumption, given the method used, is the selected IELR for the various Members and lines of business.

The allowance for the profitability within the UPR is the most material SII adjustments. The loss ratios used for the UPR are the same as the ones used for calculating the Claims Provisions. This is a reasonable approach, which ensures consistency between the assumptions used in the calculation.

The addition of the Risk Margin is another substantial SII adjustment and the approach assumes the future SCR can be approximated using the expected run-off of the reserves. This is one of the standard methods prescribed by the EIOPA.

Other assumptions used are the ULAE, Events Not In Data ("ENID"), Bound But Not Incepted ("BBNI") and the payment pattern for discounting of the SII TPs. These have smaller impact on the SII TPs compared to the UPR profit and Risk Margin mentioned above. The approach for these additional adjustment follows accepted market methodology and any assumptions used are in line with market benchmarks.

In the Company's view, this approach and these assumptions are reasonable.

D.2.1.5 Limitations and Uncertainties

The following are general limitations applicable to actuarial analysis:

- A reliance that past history is a reasonable guide to the future;
- Ultimate cost of claims can be affected by many factors which may not yet be prevalent in the loss data, for example inflation, latent claims, new sources of claims, economic / legal / social trends etc;
- For the SII TPs there is additional uncertainty compared to IFRS reserves as there is more Large Loss exposure in the SII TPs as it also includes unearned exposure;
- Liability classes generally contain uncertainty due to their relatively long development.

There are also a number of uncertainties specific to the Company:

- Due to limited historical data, a reliance is placed on external and benchmark market data, which may not be representative of the business written by the Company.
- Due to the nature of the business written by the Company with exposure to property damage, there is a risk of natural catastrophes and large losses. This is mitigated by extensive quota share and excess of loss reinsurance.
- Limited exposure to Covid-19 claims, as all policies sold on the Company's paper were underwritten after March 2020 (including those transferred from AIL) and policy wordings have been adjusted to include a Covid-19 exclusion.

D.2.1.6 Contract Boundaries

The BBNI premium has been estimated by looking at the individual Members and assessing the number of contracts which are legally bound at the valuation date of 31 December 2021. For most of the Members, the contractual obligations extend one month after the valuation date. Only for Members based in Norway, Sweden, and the Netherlands, these obligations extend two months after the valuation date. To estimate the BBNI premium volumes, we have taken the planned premium for the next 1 or 2 months (by Member as appropriate) and taken this as the BBNI premium. The ultimate loss ratio and other loadings (as per the Solvency II valuation rules) have been applied to estimate profit in the BBNI premium.

D.3 Other liabilities

The SFCR includes all of the following information regarding the valuation of the other liabilities of the insurance or reinsurance undertaking for Solvency purposes:

Other Liabilities	Ref.	BEGAAP (in €)	Solvency II (in €)
Provisions other than Technical Provisions	a	32,925	32,925
Deferred Tax Liabilities	b	0	0
Insurance & Intermediaries Payables	c	75,240,997	11,541,975
Reinsurance Payables	d	225,229,613	115,600,652
Payables (trade, not insurance)	e	18,012,387	18,012,387
Any Other Liabilities	f	2,685,646	2,685,646
Total Other Liabilities		321,201,568	147,873,585

D.3.1 Valuation bases, methods and main assumptions

a. Provisions other than Technical Provisions: No material valuation differences between BEGAAP and Solvency II are considered.

b. Deferred Tax Liabilities: Under BEGAAP, a deferred tax asset or liability is always kept off balance. Only in specific circumstances a deferred tax liability is recognized on balance. In the Solvency II balance sheet, deferred taxes are valued on the basis of the difference between the tax bases of assets and liabilities and their carrying values. A positive value to deferred taxes is only attributed where it is probable that future taxable profit will be available against which the deferred tax asset can be used, taking into account any legal or regulatory requirements on the time limits relating to the carry forward of unused tax losses or credits.

c. Insurance and Intermediaries Payables: The insurance and intermediaries payables relate mainly to Insurance Premium Tax ("IPT") and Written But Not Incepted ("WBNI") business. The insurance payables are presented on a net basis under Solvency II. This causes a classification difference in presentation between the Solvency II balance sheet and the BEGAAP annual accounts. See also Insurance and Intermediaries Receivables.

d. Reinsurance Payables: The reinsurance receivables are netted with the reinsurance payables which results in a liability under Solvency II. This causes a difference in presentation with the BEGAAP annual accounts. The valuation is the same under BEGAAP and Solvency II.

e. Payables (trade, not insurance): The remaining payables relate to other debts and are valued at face value. The valuation is the same under BEGAAP and Solvency II as the payables are short term in nature.

f. Any Other Liabilities: The remaining liabilities relate to accruals. The valuation is the same under BEGAAP and Solvency II as these are short term in nature.

D.4 Other information on the valuation for Solvency purposes

Other information regarding the valuation of assets and liabilities of the Company for Solvency II purposes are as follows:

- Volatility Adjustment ("VA"): the Company did not apply any volatility adjustments.
- Transitional risk-free interest rate term structure: the Company has not applied the transitional risk-free interest rate term structure.
- Transitional deduction: the Company has not applied a transitional deduction.
- No Matching Adjustments ("MA") were used.

No other material information regarding the valuation of assets and liabilities warrants disclosure.

D.4.1 Assumptions around future management actions and policyholder behaviour

The business plan is built on a number of assumptions including the reinsurance programme for the year, the expense ratio, and investment return. These assumptions are articulated as part of the business plan.

The plan is also based on selected loss ratios for each class of business. The reserving methodology applied by the Company is based on the results of several commonly used reserving methodologies. These include the loss development method, Bornheutter-Ferguson method, and the Loss per Exposure method.

Initially, the loss per exposure method (ultimate expected cost) is relied upon. The loss per exposure method is calculated using the expected ultimate loss per exposure multiplied by the model year volume. The expected ultimate loss per exposure is determined through the Member's historical. This data is obtained at onboarding and an update is provided on a bi-annual basis by the Members. In most cases, this is done by applying the historical loss ratio adjusted for inflation and rate changes to the gross written premium projected for the year. The reserves will be adjusted based upon deviation of actual experience from the expected.

Loss ratios are reviewed each year as part of the business planning therefore should policy holder behaviour change (or indeed other factors affecting the loss ratios such as retrospective legal changes impacting our claims) this will be factored into the business plan.

E. Capital Management

Below you can find 'what is required' (accountabilities) and 'what must be carried out' (processes and procedures) to manage capital consistently across Accelerant Group.

The objectives of the Capital Management policy of the company that of:

- Maintaining strong and adequately capitalised operating entities, ensuring adequate capital under all relevant capital adequacy regimes;
- Retaining earnings over medium term to grow the capital base;
- Repatriating surplus capital at operating entity level to Group;
- Redeploying surplus capital for business growth and Member acquisitions where it meets our strategy.

The Capital Management principle is that AIE maintains a 150% Solvency Capital Requirement cover rate on an ongoing basis. Every quarter, the required regulatory capital is calculated.

The CFO and CRO make sure that there is regular, timely and effective monitoring of capital positions. To ensure that capital efficiency and a sufficient capital base are maintained, the Company completes the following:

- Actual Capital Base - BEGAAP Equity, Solvency II Equity, SCR coverage ratio and return on key asset classes is calculated and reviewed at least annually in line with ORSA Policy;
- Ad hoc basis - when there is a significant event that affect the company's business strategy;

Internal Reporting of Capital Positions: The CFO and CRO make sure that there is regular and effective internal reporting of the capital positions to the Board and senior management;

External Reporting of Capital Positions: the Company produces the following in accordance with Solvency II requirements:

- Quantitative Reporting Template ("QRT");
- Solvency and Financial Condition Report ("SFCR");
- Regular Supervisory Report; and
- ORSA Report.

E.1 Own funds

Please refer to below table which illustrates the breakdown of the structure, amount and quality of own funds at the end of the reporting periods being 31 December 2021. The three Tiers are defined as follows:

- Tier 1 own funds is capital that has no features causing or accelerating insolvency e.g. ordinary share capital.

- Tier 2 ancillary own funds are items of capital other than basic own funds which can be called up to absorb losses e.g. unpaid share capital, letters of credit or guarantees.
- Tier 3 ancillary own funds are items of capital which when called up would not qualify as Tier 1.

	December 2021	
Basic Own Funds	Total (in €)	Tier 1 – unrestricted (in €)
Ordinary Share Capital	90,560,500	90,560,500
Share premium account related to ordinary share capital	0	0
Reconciliation Reserve	(15,466,811)	(15,466,811)
Deferred Tax Asset	285,463	0
Other items approved by supervisory authority as basic own funds, not specified above	0	0
Total Basic Own Funds	75,379,152	75,093,689

The Company has a simple shareholding structure made up of Tier 1 issued share capital that is 100% admissible under Solvency II.

Therefore, there are no planned redemptions, repayment or maturity dates linked to its share capital. The Company would only obtain share capital from the shareholder, if the benefit derived from insuring new risks outweighs the cost of capital required to cover that risk.

The reconciliation reserve mainly comprises consolidated losses as per the BEGAAP financial statements coupled with the post-tax impact of changes between the BEGAAP and SII valuation of assets and liabilities described in section D.

E.1.1 Own Funds objectives, policies and processes

The main objectives to manage and monitor Accelerant's own funds and capital are:

- Ensure that the eligible capital continuously meets the applicable regulatory requirements and the levels established in the Risk Appetite.
- Ensure that the projected eligible capital continuously meets the applicable requirements throughout the period covered.
- Ensure that the Company has a medium-term Capital Management Plan in place through the ORSA.
- Capital management will take into account the results from the ORSA, as well as the conclusions reached during that process.
- Within the framework of the medium-term Capital Management Plan, should it be deemed necessary to obtain new resources, the newly-issued capital instruments should be assessed to determine that they meet the requirements to be included in the desired level of quality for eligible capital. Should the eligible capital be insufficient at any time during the period under consideration in the three-year projections, the Risk Management Function should propose future management measures to be taken into account in order to rectify this shortfall and maintain

solvency margins within the levels established by the applicable regulations and Risk Appetite. The medium-term Capital Management Plan takes into account compliance with the applicable Solvency II regulations throughout the projection period, taking into consideration the solvency margins aligned with those established in the Risk Appetite.

- Further to the capital management planning within the ORSA, the Company performs a quarterly SCR projection to ensure that the projected eligible capital continuously meets the solvency margins of the Risk Appetite.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

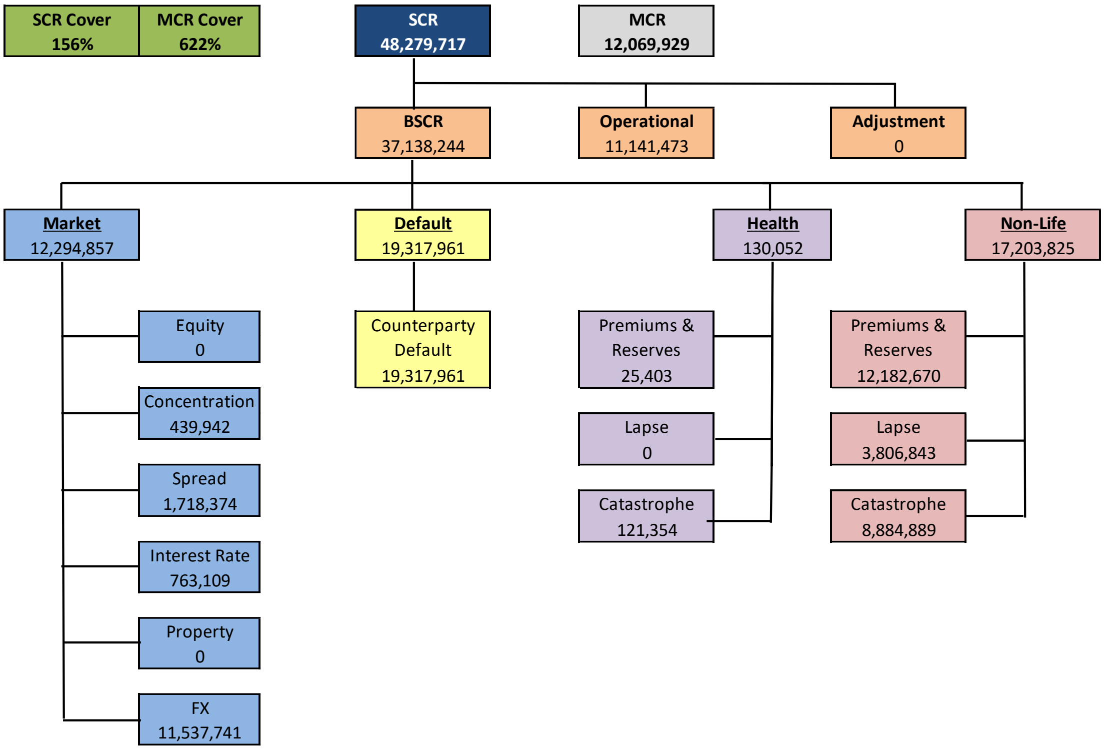
A split of the SCR and Minimum Capital Requirements ("MCR") and the eligible capital are displayed in the following tables:

	Capital Requirement (in €)	Eligible Capital (in €)	Solvency Ratio (in €)
SCR	48,279,717	75,379,152	**156%**
MCR	12,069,929	75,093,689	**622%**

The differences between the BEGAAP and SII valuation of the Company's Equity are set out in the table below:

Explanation of Variances	in €
BEGAAP – Excess of Assets over Liabilities	76,235,542
Solvency II – Excess of Assets over Liabilities	75,379,152
Variance	**856,390**
Difference in the valuation and classification of assets	203,752,271
Difference in the valuation of technical provisions	29,567,897
Difference in the valuation and classification of other liabilities	173,327,983
Variance	**856,390**

- The material variances arise due to the fact that technical provisions are valued at book value under BEGAAP whereas under Solvency II a best estimate approach and an additional risk margin are applied.
- Additionally, there is some netting applied under Solvency II which is not the case under BEGAAP.
- Also, the differences noted under deferred tax liabilities are due to different valuation principles between BEGAAP and Solvency II.



Through an assessment carried out as part of the ORSA, the Company has concluded that the Standard Formula appropriately reflects the risks of the business, given the size and complexity of the Company

This is evidenced as described below.

E.2.1 Overall

The Company does not have a different correlation structure than the one assumed for the Standard Formula. The classes and types of risk included in the SCR cover all quantifiable risks faced by Accelerant for the next 12 months. The Standard Formula model quantifies each of the five main risk categories that the Company is exposed to, being Market Risk, Counterparty Default Risk, Operational Risk, Health Underwriting Risk and Non-Life Underwriting Risk.

E.2.2 Analysis of the SCR

E.2.2.1 Operational Risk

Over the past year, the Company has continued to build on its adequate risk management framework which is considered to be at a standardised level as per the SCR assumptions. Even though the SCR does not define a 'standardised' level of risk management, it is assumed that it implies that all material risks are identified, monitored, measured and mitigated using standard risk management tools such as the continuous use of the risk register.

Under the Standard Formula, the Operational Risk is determined by the larger of the Premiums-based and Provisions-based Risk Components, while being capped at 30% of the SCR.

For the Company, the Premiums-based Risk Component drives the Operational Risk component and the cap is being applied.

E.2.2.2 Non-Life Underwriting Risk

Non-Life risk can be broken down further as follows:

- Premium and Reserve Risk
  - This is the main driver of Non-Life Underwriting Risk due to the fact that the Company is projecting significant growth in both premiums and reserves.
- Lapse Risk
  - This is a minor component of Non-Life Underwriting Risk because of the short term nature of the contracts.
- Catastrophe Risk
  - Catastrophe Risk is another key driver of the Non-Life Underwriting Risk module. It is mitigated by a well-diversified portfolio across Europe and a number of quota share and excess of loss reinsurance contracts in place.
  - Catastrophe Risk can be further split into Natural Catastrophe, Man-Made Catastrophe and Other Catastrophe, of which Natural Catastrophe and Man-Made Catastrophe are similar in size.

E.2.2.3 Health Underwriting Risk

The (Similar to Non-Life) Health Underwriting Risk submodule follows a similar argumentation as for Non-Life Underwriting Risk, but its materiality is much lower as a whole.

E.2.2.4 Market Risk

The Market Risk that applies to the Company can be further split into the following categories under the Standard Formula:

- Concentration Risk
  - The Company's investment portfolio is divided over a number of well-diversified, highly liquid Undertakings for the Collective Investment in Transferable Securities ("UCITS"); the so-called Mercer funds.
  - Additionally, a minor part of its investments consists of an intercompany loan which will be redeemed in Q1 2022.
  - For these reasons, the Company is not materially exposed to a single counterparty on its investment portfolio which is not captured by the SCR.
- Spread Risk
  - The Mercer funds are invested in treasury bonds.
  - The Company's bond portfolio is relatively standard and therefore the spread assumptions in the SCR are appropriate.
- Interest Rate Risk
  - The Company is not materially exposed to changes in the shape of the yield curve or to inflationary / deflationary risk.
- Currency Risk
  - The Company's functional currency is Euro but the majority of its insurance business is in GBP. However, this FX exposure is mitigated by the Company, given that it holds FX bank accounts and investments in line

with its outstanding liabilities, which are mainly denominated in GBP. Furthermore, the new quota share reinsurance contract entered into from 01 July 2021 is settled in the original currency of the policies. The Company also has an exposure in Swedish Krona and Norwegian Krona, but these are not considered as material.

E.2.2.5 Counterparty Default Risk

Counterparty Default Risk can be split into Type 1 exposures, which are based around risk-mitigating contracts with counterparties that are likely to have credit ratings, including reinsurers, banks and cedents counterparties; or Type 2 exposures, which encompass all others, including intermediaries and policyholders.

Counterparty Default Risk for Accelerant is driven by three main drivers:

- Reinsurance (Type 1)
  - Consists of rating-based scenarios that involve a Loss Given Default ("LGD") for each counterparty that the Company is exposed to.
  - The Company has a panel of reinsurers whereby each benefit from a strong rating by an External Credit Assessment Institution ("ECAI").
- Outstanding bank balances (Type 1)
  - Counterparty Default Risk is also driven by bank balance held with the banks. The Company needs to maintain an adequate buffer in the bank account to meet it insurance and non-insurance commitments on time.
- Insurance balance receivable (Type 2)
  - The capital charge is also incurred on insurance premiums receivable from the Members which is classified as type 2 exposure and is subject to a 15% capital charge for the balance not more than 90 days overdue from the agreed credit terms, and a capital charge of 90% for the balance more than 90 days overdue from the agreed credit terms.

E.2.2.6 Simplification Methods Used

The Company uses one of the simplification methods set out within the Solvency II Regulations and guidelines, which is proportional to the nature and scale of the business. Risk Margin simplification method 2, being the Proportional Risk Margin calculation, was used within the Standard Formula Model.

Under the Standard Formula, the simplification under Article 57; the simplified calculation of recoverables from reinsurance contracts, is used as well.

E.2.3 Analysis of the MCR

The MCR is determined using the Standard Formula. Through the use of the Standard Formula, the boundaries of the MCR are determined as follows:

- The MCR is capped at 45% of the SCR, whilst
- The lowest allowed Capital Requirement, i.e. the floor of the MCR, is set at 25% of the SCR. Additionally, there is the Absolute Minimum Capital Requirement of €3.7m.

For 2021, the Company's MCR was defined by the floor set out in the Standard Formula.

	in €
SCR	48,279,717
MCR	12,069,929

E.2.4 Expected SCR and MCR developments

As part of Accelerant's ORSA, an analysis of current and future capital requirements was performed. For this, we first created a financial forecast that is tailor-made to Accelerant's business plan (the "financial model"). Then, this financial model was used to calculate the SCR and the MCR under Solvency II, using the Standard Formula model.

Premiums and loss ratios are monitored monthly through the management accounts to ensure they are in line with the business plan.

The targeted risk appetite is to maintain capital at or above 150% of required Solvency capital. Each quarter, the projected SCR will be monitored, and capital injections will be made if and when required.

E.2.5 Projected Loss Ratios

Updated loss ratios are based on the Company's own experience across its portfolio, together with the loss development data provided by the Members. The majority of analysis is based upon 5 years or more of experience. Where less than 5 years' experience is available, the loss ratios are supplemented by looking at comparable business for which the Company has credible loss ratio experience. Ultimate loss ratios are based upon the results of several commonly used methodologies. These include the loss development method, Bornheutter-Ferguson method, and the Loss per Exposure method and are based upon incurred loss information and paid, if available. Rate changes on the products that Members sell are incorporated when deemed appropriate and are available. Loss trend changes are incorporated to account for changes in severity and frequency of the losses. Loss development factors are selected based upon the experience (where credible), supplemented by industry compiled factors for the relevant class of business. The vast majority of the business has a short duration for the claim reporting and payment; on average losses are reported within 36 months and paid within 60 months. Best Estimate loss ratios are selected based upon information provided and from discussions with the underwriters.

The loss ratios expected over the lifetime of the financial plan are as follows:

	Commission – Payable	Loss Ratio %
Medical Expense	37%	42%
Motor Vehicle Liability	37%	67%
Marine, Aviation & Transport	37%	57%
Fire & Other Damage to Property	37%	52%
General Liability	37%	47%
Credit & Suretyship	37%	35%
Legal Expenses	37%	44%
Miscellaneous Financial Loss	37%	40%

The total average ultimate loss ratio for the portfolio is targeted at 50%.

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

AIE does not make use of a duration-based equity risk sub-module set out in article 304 of Directive 2009/138/EC for the calculation of the Standard Formula SCR.

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

AIE does not make use of a (partial) internal model for the calculation of the SCR.

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

AIE did not have any occurrence of non-compliance with the MCR or the SCR.

Abbreviations

Abbreviation	Term
AAUK	Accelerant Agency UK Limited
AIE	Accelerant Insurance Europe NV / SA
AIL	Accelerant Insurance Limited
ALM	Asset Liability Management
AMSB	Administrative, Management and Supervisory Body
BBNI	Bound But Not Incepted
BEGAAP	Belgian Generally Accepted Accounting Principles
Brexit	The UK's exit from the European Union
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
COSO	Committee of Sponsoring Organizations
CRO	Chief Risk Officer
CUO	Chief Underwriting Officer
DAC	Deferred Acquisition Cost
DPO	Data Protection Officer
ECAI	External Credit Assessment Institution
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ELC	Entity Level Control
ENID	Events Not In Data
ERM	Enterprise Risk Management
EU	European Union
FOE	Freedom Of Establishment
FOS	Freedom Of Services
FX	Foreign Exchange
GBP	Great Britian Pound
GWP	Gross Written Premium
IBNR	Incurred But Not Reported
ICS	Internal Control System
IELR	Initial Expected Loss Ratio
IFRS	International Financial Reporting Standards
IPT	Insurance Premium Tax
ITIL	Information Technology Infrastructure Library
KRI	Key Risk Indicator
KYC	Know Your Customer
LGD	Loss Given Default
MA	Matching Adjustment
MCR	Minimum Capital Requirements
MFSA	Malta Financial Services Authority
NBB	National Bank of Belgium
NEDs	Non-Executive Directors
ORSA	Own Risk and Solvency Assessment
OSN	Own Solvency Needs
PCO	Provisions of Claims Outstanding
PLC	Proces Level Control

POG	Policy, Oversight and Governance
PP	Premium Provision
PPP	Prudent Person Principle
QRT	Quantitative Reporting Template
RAS	Risk Appetite Statement
RSR	Regular Supervisory Report
SCR	Solvency Capital Requirements
SFCR	Solvency and Financial Condition Report
SII	Solvency II
SME	Small and Medium-sized Enterprises
TPA	Third Party Administrator
TPR	Temporary Permissions Regime
TPs	Technical Provisions
UCITS	Undertakings for the Collective Investment in Transferable Securities
UK	United Kingdom
ULAE	Unallocated Loss Adjustment Expense
UPR	Unearned Premium Reserve
USA	United States of America
USGAAP	United States General Accepted Accounting Principles
VA	Volatility Adjustment
VAT	Value Added Tax
WBNI	Written But Not Incepted