Accelerant Insurance Europe NV / SA

Solvency and Financial Condition Report 2022

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Business

Accelerant Insurance Europe NV / SA (referred to as "Accelerant", "AIE" or "the Company") is a tech enabled, data fuelled insurance company. It works with Members to distribute its products to policyholders.

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

Accelerant 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) in the following classes of general insurance:

- 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

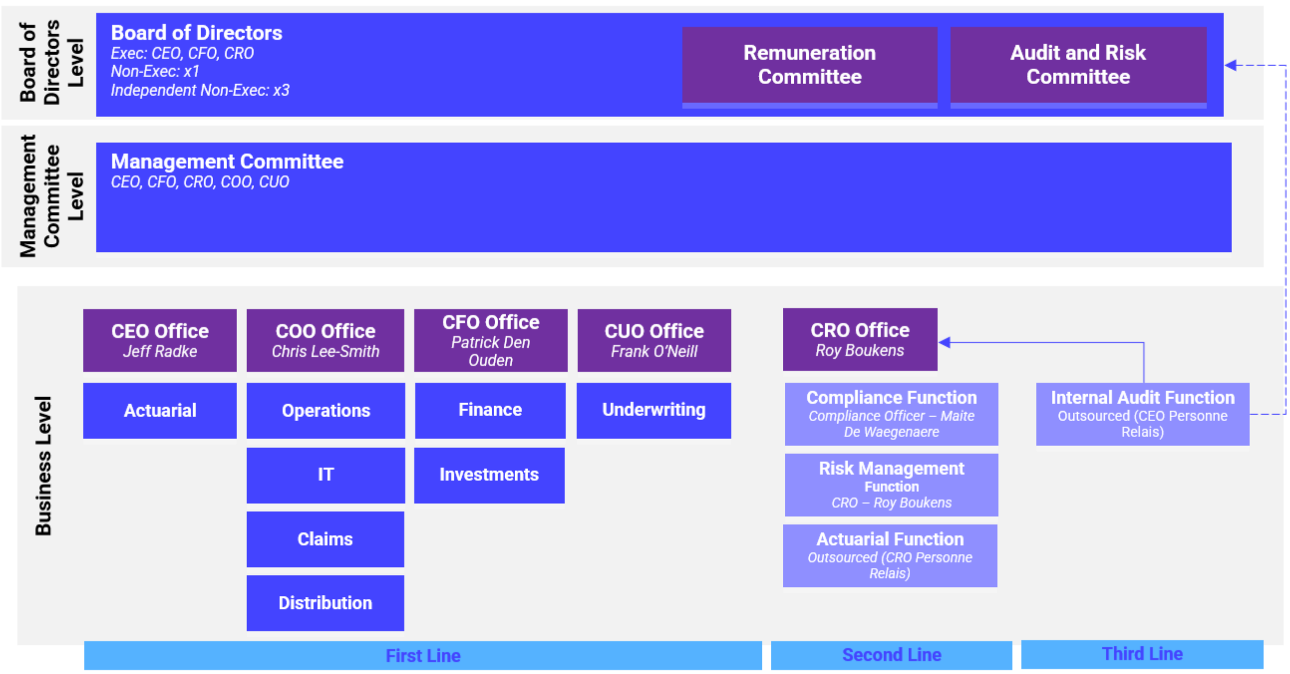
Accelerant is a non-life insurance company dedicated to servicing the needs of Members throughout the EEA and the UK. The Company targets Members which are established market players with a strong track record writing a portfolio of small policies, largely for Small and Medium-sized Enterprises ("SME")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

The Gross Written Premium ("GWP") for the 2022 financial year amounted to €662.6m. The performance of the insurance undertaking over the reporting period was as follows:

Income Statement – Technical Account – Non-life insurance	2022 BEGAAP (in €'000)	2021 BEGAAP (in €'000)
Earned premiums, net of reinsurance	47,718	14,509
Net written premiums	*61,352*	*26,266*
Gross written premiums (GWP)	662,586	219,585
Premiums ceded to reinsurer	601,234	193,320
Change in the provision for unearned premiums	-13,634	-11,757
Gross amount	-96,269	-127,670
Reinsurer's share	82,634	115,913
Claims incurred, net of reinsurance	-48,051	-9,067
Net amount paid	*-13,601*	*-1,693*
Gross amount	-128,689	-12,815
Reinsurer's share	115,088	11,122
Change in claims provision, net of reinsurance	*-34,450*	*-7,374*
Gross amount	-164,623	-49,163
Reinsurer's share	130,173	41,788
Technical costs, net of reinsurance	-32,537	-19,188
Net operating costs	*31,486*	*-19,039*
Acquisition costs	-265,410	-85,896
Administration costs	-14,804	-6,569
Commissions received from the reinsurers	248,728	73,426
Other technical costs, net of reinsurance	*-1,051*	*-149*
Change in provision for equalization and catastrophe, net of reinsurance	-2,206	-278
Result of the technical account non-life	-35,080	-14,024

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 (refer to section C for more information):

- 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.

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 European Insurance and Occupational Pensions Authority ("EIOPA") Risk Free Interest rate curve as at 31 December 2022 was used to discount the future cash flows. Under BEGAAP, the valuation is in line with the technical provisions and should exclude deferred income.
- Technical Provisions: The actuarial methods and assumptions used for the valuation of technical provisions for Solvency II purposes are identical to those used for the preparation of the Company's statutory accounts. Nevertheless, there are significant differences between the two accounting standards applicable to all lines of business: (a) Statutory reserving includes prudent margins whereas Solvency II technical provisions consist of the best estimate and the risk margin; (b) For the Company Statutory figures, future cash flows are not discounted (time value of money is not recognised) and the counterparty risk is not included in the valuation; (c) For the Company statutory figures, the contracts in scope are the same but in general only a portion of the premium written during the reporting period is recognised as earned while the unearned portion is deferred (whereas for Solvency II purposes only future cash flows are considered in the valuation) and there is no provision for future losses, i.e. claims resulting from losses not yet incurred but covered within the boundaries of the subject business; and (d) For the Company statutory figures, future cash-flows for premium and commissions are included in the debtors and creditors from (re)insurance operations whereas for Solvency II purposes they form part of the technical provision.

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 2022 and authorised by the NBB.

	December 2022	
Basic Own Funds	Total (in €'000)	Tier 1 – unrestricted (in €'000)
Ordinary Share Capital	184,561	184,561
Share premium account related to ordinary share capital	0	0
Reconciliation Reserve	(46,716)	(46,716)
Deferred Tax Asset	0	0
Other items approved by supervisory authority as basic own funds, not specified above	0	0
Total Basic Own Funds	137,845	137,845

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 (laura.darie@nbb.be)
Name of external auditor	PWC
Contact details external auditor	Kurt Cappoen (kurt.cappoen@pwc.com)

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. Keoni Schwartz is the Ultimate Beneficial Owner of AIE.

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 classes of general insurance:

- 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 approximately € 6 billion (the Group as a whole 10 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") (refer to section A.5 for more information). An application for a Greek branch is expected to be carried out in 2023.

Below is a list of countries in which AIE operates through the FOS and FOE regimes:

Freedom of Services	Freedom of Establishment	Unauthorized Foreign Insurance Regime
Austria	Ireland	Australia
Croatia	Italy	
Cyprus	Spain	
Czech Republic		
Denmark		
Estonia		
Finland		
France		
Germany		
Greece*		
Hungary		
Ireland		
Italy		
Latvia		
Lithuania		
Luxembourg		
Malta		
Netherlands		
Norway		
Poland		
Portugal		

Freedom of Services	Freedom of Establishment	Unauthorized Foreign Insurance Regime
Slovakia		
Slovenia		
Spain		
Sweden		
United Kingdom (under the Temporary Permissions Regime)**		

* an application for Greek branch is in progress with the NBB
** An application for a UK branch is in progress with the PRA

At the time of writing this report, Accelerant operates through more than 50 Members. 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. This means that at times growth could exceed the Company's reasonable expectations.

A.1.2 Capital Contributions

Accelerant UK Holdings Limited, in its capacity as the parent undertaking of AIE, made four investments in the Company during 2022 by means of capital contributions in cash (via share issue). The overview of the various capital injections since the inception of the Company 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.

Please refer to the table below for an overview of capital injections received:

Date	Capital increase (in €'000)	Total capital (in €'000)
20/11/2020	62 (initial)	62
22/02/2021	20,500	20,562
27/09/2021	13,365	33,927
30/09/2021	21,634 (contribution in kind)	55,561
30/12/2021	35,000	90,561
30/03/2022	18,000	108,561
23/06/2022	13,000	121,561
26/09/2022	18,000	139,561
29/12/2022	45,000	184,561

A.1.3 Company Employees

As at end of December 2022, the employees of the Company, excluding the branches, amounted to thirteen. Additionally, the Company has three branches, namely in Ireland, Italy and Spain, with a total of ten employees assigned to them.

A.1.4 Remuneration

AIE has a remuneration policy in place 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.

The various components of the remuneration structure include the following:

- Annual salary (fixed pay): A review of each employee's fixed pay is undertaken on an annual basis and includes taking into account an employee's competency within their job role, performance for the preceding period, plans for the forthcoming period and underlying general economic conditions.
- Discretionary bonus (variable pay): Bonus payments are discretionary and take into consideration the following factors, amongst others:
    - The business unit's level of performance;
    - The Company's financial performance for the year;
- Other compensatory benefits as determined by Accelerant Group and the Board.

Additionally, for a number of senior managers Accelerant shares are part of the compensation package. They are provided on a discretionary basis and only paid out in case of a liquidity event (e.g. IPO, sale of the company, …)

The Company aims for total compensation that is competitive in the market and also seeks to ensure that total compensation is well-balanced in terms of fixed versus variable compensation and in terms of short-term versus long-term incentives. This is to encourage sustainable performance and appropriate risk taking in line with the business and risk strategy.

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 employees existed as at 31 December 2022.

A.2 Underwriting Performance

The Company had a strong performance during the 2022 financial year as it continued to expand its business model across Europe and the United Kingdom. The performance over the reporting period was as follows:

Income Statement – Technical Account – Non-life insurance	2022 BEGAAP (in €'000)	2021 BEGAAP (in €'000)
Earned premiums, net of reinsurance	47,718	14,509
Net written premiums	*61,352*	*26,266*
Gross written premiums (GWP)	662,586	219,585
Premiums ceded to reinsurer	601,234	193,320
Change in the provision for unearned premiums	-13,634	-11,757
Gross amount	-96,269	-127,670
Reinsurer's share	82,634	115,913
Claims incurred, net of reinsurance	-48,051	-9,067
Net amount paid	*-13,601*	*-1,693*
Gross amount	-128,689	-12,815
Reinsurer's share	115,088	11,122
Change in claims provision, net of reinsurance	*-34,450*	*-7,374*
Gross amount	-164,623	-49,163
Reinsurer's share	130,173	41,788
Technical costs, net of reinsurance	-32,537	-19,188
Net operating costs	*31,486*	*-19,039*
Acquisition costs	-265,410	-85,896
Administration costs	-14,804	-6,569
Commissions received from the reinsurers	248,728	73,426
Other technical costs, net of reinsurance	*-1,051*	*-149*
Change in provision for equalization and catastrophe, net of reinsurance	-2,206	-278
Result of the technical account non-life	-35,080	-14,024

A.3 Investment Performance

The investment income earned during 2022 was low. Under BEGAAP the investments in the Mercer and HSBC 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. The investment portfolio includes bank deposits and units in collective investment schemes.

The table below contain the net investment account:

Investment Income (Expenses)	2022 BEGAAP (in €'000)	2021 BEGAAP (in €'000)
Investment income	74	62
Investment-related costs	-2,959	-142
Investment (Expenses)	**-2,885**	**-80**

A.4 Performance of other activities

A.4.1 Information regarding the business of insurance

The Group continues to see the Member market and the commercial SME market expand globally, specifically in UK, EEA, United States and Canada. Rates are hardening in many of the main classes of business the Company operates in across our platform. No major competitors have entered the segments in which the Company operates.

Inflation continues to be a significant risk for the Company in the context of the current economic environment. To monitor and mitigate this risk the Company has performed different inflation assessments during the 2022 financial year. The objective was to ensure that sufficient action is taken to mitigate inflation risk (rate increases, protection of financial assets and review of product portfolio), and the conclusion was that inflation risk is under control. The Company mainly has short-tail products and has put rate increases on a number of products during 2022, thereby anticipating inflation and reducing the risk.

A.4.2 Information by line of business

The business growth recorded in 2022 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.

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 and a stop/loss cover which inure to the quota share reinsurers as well. The Company aims to retain 10% of the risk.

The tables below disclose the underwriting result split by line of business and country:

All amounts in EUR'000		Line of Business for: non-life insurance and reinsurance obligations: Financial year 2022 (S.05.01)								
	Medical expense	Motor vehicle liability	Other motor insurance	Marine, aviation & transport	Fire & other damage to property	General liability	Credit and suretyship	Legal expenses	Misc. financial loss	Total
Net premiums written	**25**	**2,518**	**9**	**91**	**26,732**	**24,512**	**3,520**	**131**	**3,814**	**61,352**
Gross direct business	271	27,197	100	987	288,698	264,719	38,016	1,410	41,189	662,586
Reinsurers' share	246	24,678	91	895	261,966	240,207	34,496	1,279	37,375	601,234
Net premiums earned	**20**	**1,959**	**7**	**71**	**20,791**	**19,064**	**2,738**	**102**	**2,966**	**47,718**
Gross direct business	232	23,245	86	843	246,752	226,257	32,493	1,205	35,205	566,317
Reinsurers' share	212	21,287	79	772	225,961	207,193	29,755	1,103	32,239	518,600
Net claims incurred	**-8**	**2,697**	**1**	**24**	**24,433**	**18,959**	**915**	**59**	**431**	**47,511**
Gross direct business	-46	16,618	6	148	150,560	116,827	5,637	365	2,659	292,772
Reinsurers' share	-39	13,921	5	124	126,127	97,868	4,722	306	2,227	245,261
Changes in other TPs	**0**	**0**	**0**	**0**	**1,875**	**331**	**0**	**0**	**0**	**2,206**
Gross direct business					1,875	331				2,206
Reinsurers' share										
Expenses incurred	**13**	**1,315**	**5**	**48**	**13,962**	**12,802**	**1,838**	**68**	**1,992**	**32,043**
Other expenses										1,051
Total expenses										**33,095**

All amounts in EUR'000	Line of Business for: non-life insurance and reinsurance obligations: Financial year 2021								
	Medical expense	Motor vehicle liability	Marine, aviation & transport	Fire & other damage to property	General liability	Credit and suretyship	Legal expenses	Misc. financial loss	Total
Net premiums written	**135**	**789**	**10**	**9,455**	**9,754**	**519**	**633**	**774**	**22,069**
Gross direct business	1,336	7,815	102	93,700	96,655	5,144	6,268	7,672	218,693
Reinsurers' share	1,201	7,027	92	84,244	86,901	4,625	5,636	6,898	196,624
Net premiums earned	**65**	**383**	**5**	**4,589**	**4,734**	**252**	**307**	**376**	**10,711**
Gross direct business	556	3,253	42	38,999	40,229	2,141	2,609	3,193	91,023
Reinsurers' share	491	2,870	37	34,410	35,495	1,889	2,302	2,818	80,312
Net claims incurred	**10**	**645**	**7**	**4,447**	**3,089**	**15**	**19**	**32**	**8,264**
Gross direct business	76	4,835	52	33,350	23,167	116	144	239	61,978
Reinsurers' share	65	4,190	45	28,903	20,078	100	125	207	53,714
Changes in other TPs									
Gross direct business									
Reinsurers' share									
Expenses incurred	**125**	**731**	**10**	**8,760**	**9,036**	**481**	**586**	**717**	**20,445**
Other expenses									267
Total expenses									**20,712**

in € '000	Home country and Top 5 countries for: non-life insurance and reinsurance obligations: Financial year 2022 (S.05.02)						
	Belgium	United Kingdom	Ireland	France	Spain	Italy	Total
Net premiums written	5	48,178	5,021	1,696	1,317	1,133	57,351
Gross direct business	49	520,312	54,223	18,321	14,228	12,237	619,370
Reinsurers' share	45	472,134	49,202	16,625	12,911	11,104	562,020
Net premiums earned	4	37,472	3,905	1,319	1,025	881	44,605
Gross direct business	42	444,715	46,345	15,659	12,161	10,459	529,381
Reinsurers' share	38	407,243	42,440	14,340	11,136	9,578	484,775
Net claims incurred	4	37,309	3,888	1,314	1,020	877	44,412
Gross direct business	22	229,907	23,959	8,095	6,287	5,407	273,677
Reinsurers' share	18	192,597	20,071	6,782	5,267	4,530	229,264
Changes in other TPs	0	1,733	181	61	47	41	2,062
Gross direct business	0	1,733	181	61	47	41	2,062
Reinsurers' share							0
Expenses incurred	2	25,988	2,708	915	711	611	30,936
Other expenses							983
Total expenses							31,919

in € '000	Line of Business for: non-life insurance and reinsurance obligations: Financial year 2021									
	France	Greece	Ireland	Italy	Netherlands	Norway	Spain	Sweden	United Kingdom	Total
Net premiums written	462	96	2,721	318	525	381	150	520	21,104	26,276
Gross direct business	3,862	805	22,735	2,655	4,384	3,183	1,255	4,342	176,364	219,585
Reinsurers' share	3,400	709	20,015	2,337	3,860	2,802	1,105	3,822	155,260	193,310
Net premiums earned	255	53	1,502	175	290	210	83	287	11,653	14,509
Gross direct business	1,617	337	9,517	1,111	1,835	1,332	525	1,817	73,824	91,916
Reinsurers' share	1,362	284	8,015	936	1,546	1,122	442	1,531	62,171	77,407
Net claims incurred	154	32	906	106	175	127	50	173	7,025	8,747
Gross direct business	1,084	226	6,384	745	1,231	894	352	1,219	49,521	61,658
Reinsurers' share	931	194	5,478	640	1,056	767	302	1,046	42,496	52,911
Changes in other TPs	0	0	0	0	0	0	0	0	0	0
Gross direct business	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0	0	0	0
Expenses incurred	341	71	2,004	234	387	281	111	383	15,549	19,359

A.4.3 Strategic Objectives

AIE is a general insurance company dedicated to servicing the needs of MGAs throughout EEA and the UK. The Company targets MGAs 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 Group's existing and targeted Member MGAs have a strong background in writing a portfolio of policies in their respective territories. The Group's strategy is that of having relatively few, but relatively significant MGA relationships, which leads to tight integration and control of the activities of the MGAs in the Company'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 Member MGAs with a dependable insurance undertaking that is committed to their success.

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.

The Company has been awarded an AM Best A- (Excellent) rating ensuring that its Member MGAs and their customers can be confident that the Company has the financial strength to support them when they need it most.

At the time of writing this report, the Company operates with 50+ MGAs in Europe and the UK. There has been a significant increase in 2022 to the number of MGAs and the growth the MGAs represent. The list is expected to grow further as Accelerant grows its portfolio. However, a part of the business written in the UK is expected to be renewed through the AI UK.

The overall strategic objectives of the Company are:

- Continue to grow the GWP of Member MGAs;
- Develop a suite of products and services for our Member MGAs which adds value;
- Maximise efficiency of reinsurance programme;
- Maintain a highly competent team and a customer-focused culture;
- Ensure regulatory compliance;
- Ensure appropriate risk management on all aspects of the Company;
- Ensure policyholders are treated fairly; and
- Lay the foundations for strong returns for shareholders over the medium- to long-term.

The Company aims to use its data and data expertise to increase the business opportunities and to better analyse and evaluate the risks that are underwritten. This benefits the Company by ensuing appropriate risk-taking and supporting the overall profitability of the portfolio. In essence business performance and risk management go hand in hand.

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 15 December 2022, the Company presented its business plan for the period 2023 to 2025. Below is an extract of the key figures from the ORSA for the period 2023 to 2025:

in €'000	2023	2024	2025
Gross Written Premium (GWP)	654,943	428,587	297,368
Net Underwriting Profit	**18,500**	**16,000**	**11,500**
Total Assets	1,059,100	933,300	729,500
Total Liabilities	930,200	803,700	598,400
Own Funds	**128,900**	**129,600**	**131,100**
Solvency Capital Requirement (SCR)	**83,900**	**66,700**	**58,500**
Solvency Ratio	**154%**	**194%**	**224%**
Capital injection to reach 150% Solvency Ratio	2,300	-	-

The decrease in the volumes from 2023 onwards is driven by the transfer of renewal rights for the UK based Members to Accelerant Insurance UK Ltd ('AIUK') (see section A.5 for more information).

Notwithstanding the transfer of the UK Members on to AIUK the Company's remaining portfolio of Members is still expected to grow from 2023 onwards as it expands its business model across more members and territories over this period.

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 above 150%, when and if needed supported by further capital injections.

A.4.5 Projected Investment Performance

Over the business planning period, the Company expects the financial environment to remain challenging. The ongoing conflict in Ukraine has created turmoil across global financial markets and economies as a whole, causing a rise in inflation rates across the globe during 2022. The Company expects higher inflation to persist during 2023.

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.

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.

A.5 Any other information

A.5.1 Conflict in Ukraine

The ongoing conflict between Russia and Ukraine may have geopolitical, economic, business and financial asset implications that are difficult to predict. While the Company has no economic exposure to either country, any indirect implications of the conflict need to be re-assessed on a regular basis.

A.5.2 Transfer of renewal rights

The Company currently operates in the UK via the Temporary Permissions Regime under freedom of services. Following the exit of the UK from the European Union ("Brexit"), AIE submitted an application with the PRA for a third-country branch. After considering a number of criteria including but not limited to the amount of Financial Services Compensation Scheme ("FSCS") liabilities and the amount of business written in the UK by a European company, the Prudential Regulation Authority ("PRA") have requested that such business is written by a licenced UK insurer. As a result, Accelerant Group have directed AIUK, an owned UK insurer, to submit a Variation of Permission ("VoP") application to extend its licence to be able to underwrite such business. Subject to the approval of this application, the intent is to renew a substantial proportion of the UK business via AIUK during 2023 and 2024.

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

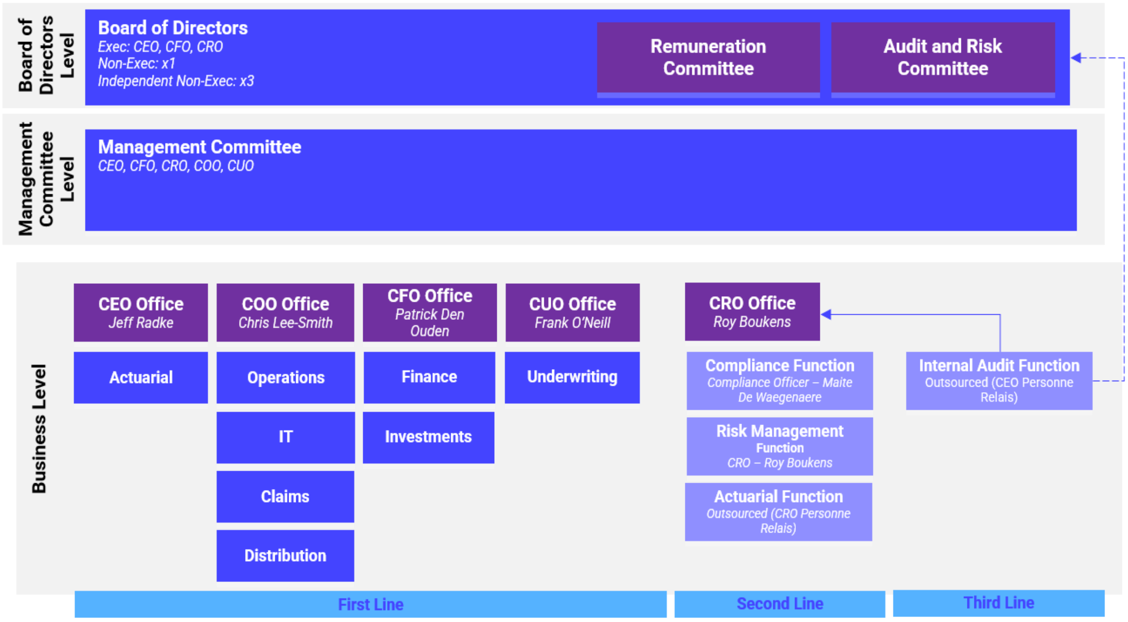
Accelerant has established a sound and effective corporate governance framework which ensures the sound and prudent management of the undertaking and is appropriate to the size, nature, complexity, and risk profile of the Company. The governance structure ensures that collectively, the Board, its Committees, 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.



The overall strategy, risk policy, integrity policy and most of the other policies shall be conferred on the board of directors as a whole.

The supervision of activities shall be also conferred to the board, but specifically to its non-executive members.

The management of the company's activity shall be conferred on the management committee (the management of the insurance company's activity, the enforcement of the risk management system and the introduction of an organisation and operational structure).

The CEO is the chair of the Manco and the primus inter pares. He is however not the "boss" of the Management Committee's members. The Management Committee is a collegial body.

Individual tasks and responsibilities can be assigned to members of the Management Committee (by the Management Committee itself, as part of the organisation of its activities. Final accountability is with the Management Committee as a collegial body.

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.

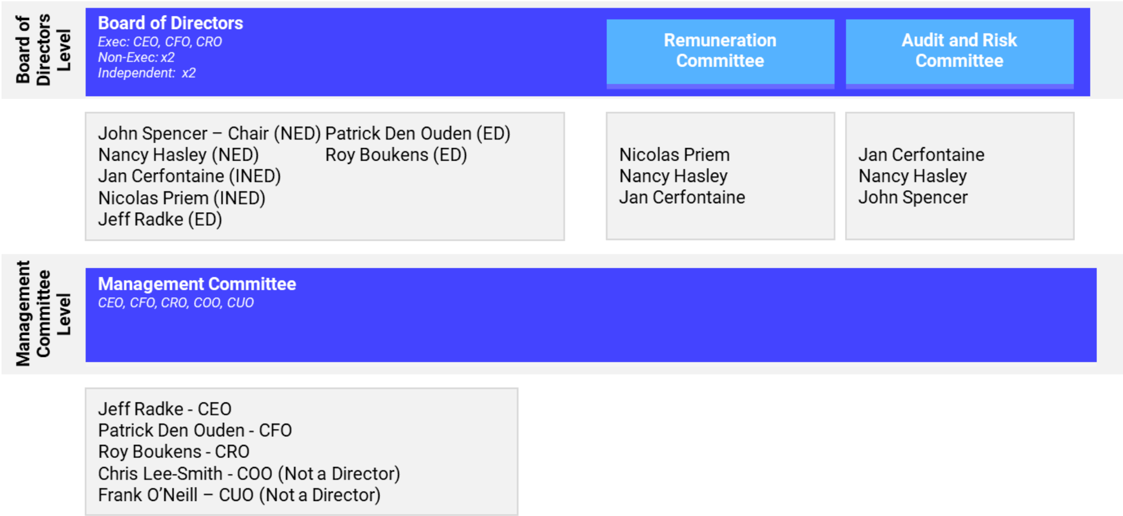
Director	Function
John Spencer	Independent non-executive director and Chairman
Nicolas Priem	Independent non-executive
Jan Cerfontaine	Independent non-executive
Jeff Radke	Executive director
Roy Boukens	Executive director
Patrick den Ouden	Executive director
Nancy Hasley	Non-executive director

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 presents the key roles and their respective responsibilities:



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 above 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.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:

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. All aspects of the ERM Framework are formalised through respective policies and implemented in various risk management tools.

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 Own Risk and Solvency Assessment ("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 risk. 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

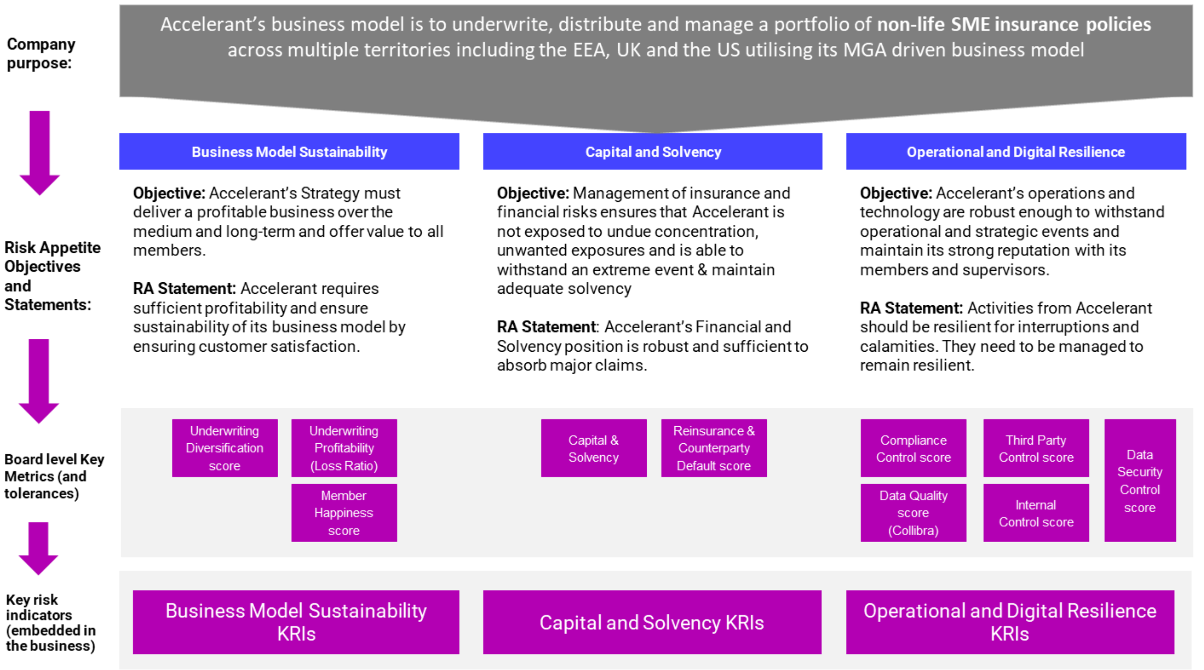
The Risk Appetite Framework ensures that the key risks are clear and appropriately managed. Risk Appetite is defined at different levels to ensure that it can actually be used in decision making. The objective of the risk appetite framework is to ensure that the risk appetite is linked to the business objectives, effectively used and applied and facilitates company-wide decision making.

The Risk Appetite Framework aims at ensuring that:

- Accelerant sets clear and formal boundaries for risk-taking so that actual risk exposure can be evaluated against the criteria agreed at Board level;
- The exposure to a number of key risks taken by Accelerant remains within known, acceptable and controlled levels;
- Risk limits are linked to the actual risk-taking capacity of Accelerant in a transparent and straightforward way.

The metrics are applied across the Company and ensure that every business domain can focus on its most important risk exposures for which there is an appetite. The focus is on the key metrics and to differentiate reporting to the Board and Management, thereby facilitating risk-based decision making.

The following diagram shows the Risk Appetite Framework:



The Risk Appetite Framework defines three key pillars for which risk appetite statements and objectives are defined:

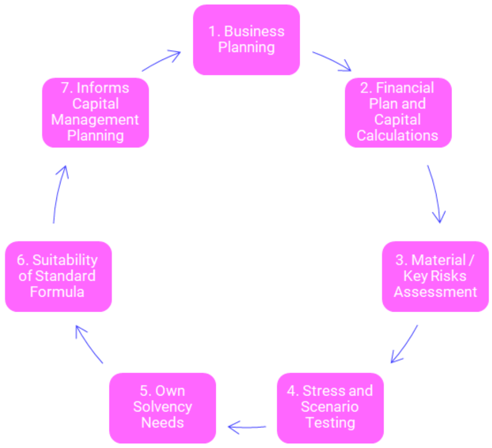
- Business Model Sustainability: The Company's bespoke business model is based on a successful application of data and technology to the benefit of the Members. It needs to ensure that there is sufficient profitability, and that Members want to stay with the Company.
- Capital and Solvency: The Company needs to ensure that its capital position is robust enough and that capital is used effectively. It needs to ensure that its largest exposures (ceded reinsurance for example) are managed appropriately.
- Operational and Digital Resilience: The Company relies on a robust technology platform and data-enabled environment that provides accurate reporting and valuable insights to Members, reinsurers and other stakeholders.

There is a clear link between the Risk Appetite and the Group's Capital Management Framework. The Business Plan is created in line with the Risk Appetite and the resulting capital need is made clear through the Capital Management Process. This ensures that for all regulated entities in the Group capital levels are attained at the appropriate level.

The Risk Appetite Statement ("RAS") and the underlying Capital Management metrics are reviewed, monitored and reported quarterly by the Risk Management function and shared with the Board. The RAS is further supported by a set of Key Risk Indicators ("KRIs"). The RAS and KRIs are reviewed and updated at least quarterly, 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.

The following visual shows how Risk Management is integrated into financial decision-making and the overall business planning cycle:



Stress-tests are performed to assess the key risk drivers. Examples of performed stresses include 40% additional GWP growth, reinsurance downgrade, loss ratio increase (+15%) – non exhaustive.

The simplicity of this Framework increases its effectiveness. Further effort has been spent on creating an even better understanding of the key drivers of risk in the business. This allows us to identify problems sooner.

B.3.2.3 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.

The Finance Function, with assistance from other functions, is 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, etc. are reflected correctly in the SCR calculation.

B.3.2.4 Own Solvency Needs

The Risk Management Function, with assistance from other functions, calculates 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 captures 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 2022 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. These triggers are discussed below.

B.3.2.5 Regular process

The ORSA is an annual process which aligns to the business cycle. As such, certain activities tied to the ORSA are performed throughout the year whilst the ORSA in its entirety is completed at least annually in line with changes to the risk profile and capital setting of the Company. The ORSA is submitted to the regulator and forms part of their Supervisory Review Process.

B.3.2.6 Ad-hoc process

Following the occurrence of a significant event, the activities within the ORSA process may be revisited to ensure that they are still valid and to assess any potential impact on the level of economic capital and the own funds necessary to meet solvency requirements. These 'trigger' events may require a reassessment of the processes within the ORSA, which can be categorised into the following four groups:

- External factors: Significant changes in the external environment, for example a material change in the macroeconomic environment, a material loss event or a significant regulatory change or requirement;
- Internal changes: Significant changes in internal strategy, process or risk profile, for example a shift in strategy or risk appetite (including target solvency levels), a material change in the risk profile of (for example demonstrated through the risk ranking results), risk exposure materially outside risk appetite;
- Supervisory request: A direct request from the NBB to re-run all or part of the ORSA;
- Board of Directors request: The Board may request an ad-hoc ORSA.

Each trigger event will be assessed for its materiality on a case-by-case basis and a decision will be taken as to whether or not the full ORSA or aspects of it need to be re-performed.

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.

All identified risks and controls are documented in the Risk and Control Register. The objective of the register is capture are all risks, all controls and all (material) risk events (see risk event management). There a several types of controls defined. Process Level Controls ("PLCs") are defined on the level of a specific process and Entity Level Controls ("ELCs") defined for the entity as a whole (e.g. Human Resources related controls).

As of 2022 Workiva is the main tool to be used for Risk Management within Accelerant, including the ICS. Our methodology regarding the Internal Control System is implemented in Workiva and the tool will assist the risk team to increase the efficiency of our internal control.

B.4.2 Compliance function

The Compliance Function is a key function, established as an independent control function. It is part of 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.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 Board of Directors 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 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 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 is outsourced to Grant Thornton. It is planned to perform seven audits in 2023 that are applicable on AIE on the following topics:

- Technology Infrastructure and Cloud computing;
- Product Governance, Customer and Consumer Duty;
- Reserving and actuarial processes;
- Software development and Configuration Life Cycle, Change and Programme Management;
- Outwards reinsurance;
- Bordereaux Management, processing and data quality;
- LaunchPad / Third Party Risk Management Effectiveness review

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;
- Actuarial Function Report on Technical Provisions;
- Actuarial Function Report on Reinsurance;
- Actuarial Function Report on Underwriting and Profitability;
- Actuarial Function Report on Risk Management System.

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.8 Any other information

There have been no material transactions with shareholders during the reporting period. Nor have there been any material transactions with members of the Board and other significant stakeholders in the firm.

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 and HSBC 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 and cash equivalents, thereby being accessible immediately for claims payments. Accelerant holds its claims related liquidity on claims fund, whereby TPAs can access for claims payments. The claims fund holds approximately 2 months' worth of claims liquidity, based on prior claims history. The claims fund balance is reviewed monthly and topped up accordingly. Any excess funds over and above will be invested in line with the investment principals and guidelines of the insurer. The investments are reviewed on a quarterly basis by the Finance Director 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- and Euro Investment 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.

Accelerant treats these risks through several mitigations and controls. These are listed below:

- Reinsurance is only purchased from companies that maintain an A- or better rating from an accredited rating agency or provides cash or cash equivalent collateral;
- There is a substantial diversification of reinsurers in place;
- Reinsurance receivables are netted off from the reinsurance premium payments;
- Members are subject to periodic credit reviews;
- Regular monthly meetings are held with every Member. Every quarter a deeper dive meeting is held. These meetings tackle any credit issues;
- Reconciliations of premium receivable bordereaux are performed monthly;
- Credit worthiness is monitored continuously by the Regulatory Efficiency Gains ("REG") tool and Accelerant is alerted to any negative change; REG is an international tool used by Accelerant that allows the Company to monitor the creditworthiness of its partner Members. It interfaces with different available databases on a regular basis and provides a rating of the creditworthiness. Any issues such as a debt not paid by the Company, provides an alert through the tool which is investigated by the Group.
- Strong operational credit controls are in place for follow-up and collections;
- Premium is received from our outsourced service provider on a monthly basis after 60 days and is reconciled. This is also monitored through the Risk Appetite Statement.
- Our outsourced service provider settles the premiums in the original currency, being Great Britain Pound ("GBP"), Euro, Swedish Krona and Norwegian Krona, thus limiting Currency Risk; and
- All payments to reinsurers are also effected in Euro.

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.

There are several mitigation and controls in place to mitigate liquidity risk. These are listed below:

- Reinsurance Cash Flow remains with Accelerant as quarterly premium payments are netted off against claims receivables due.
- Periodic checks are carried out for reinsurer's financial stability and the official credit rating. Action is taken in case of downgrade or deterioration.
- The reserves are reviewed every quarter to ensure that the IBNR makes sense, and unexpected deviations are investigated.

- Cash is held in HSBC, Vitesse escrow account and in highly liquid investments thereby being readily available to support policyholder claims.
- There is half-yearly comprehensive review of the reserves for potential development.
- Monthly claims meetings are undertaken with each Member to discuss claims situation and large losses, in case there is a need for a cash call.
- Short term cash forecasts are reviewed and approved daily.
- Daily monitoring and weekly reporting on liquidity.
- Bi-Monthly Cash Forecast is carried out.
- Daily review of Vitesse claims liquidity.
- Review of investments is carried out on a quarterly basis by the Board, Finance Director and Mercer investment specialist.
- TPAs provide a monthly reconciliation, and funds are replenished in Vitesse (escrow account) to minimise liquidity issues.
- Accelerant Agency UK Limited ("AAUK") premium payment is received in Sterling, Euro, Norwegian Krone or Swedish Krona, depending on where the business is located.
- Daily cash management review for all Accelerant bank accounts.
- Daily cash review for Vitesse, reviewing all TPA positions and the master funding position.
- Short-term forecasting prior to month-end and mid-month vendor settlements
- Longer-term capital forecasting on a quarterly/annual basis and through the ORSA.

C.4.1 Expected profits included in future premiums

Expected profits included in future premiums (EPIFP) are profits which result from the inclusion in technical provisions of premiums on existing (in-force) business that will be received in the future, but that have not yet been received. Given the annually renewable character of the non-life contracts in portfolio, the EPIFP are nil for all Lines of Business.

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. Accelerant treats these risks through several mitigations and controls. These are listed below:

- Competitive compensation programme;
- Fostering a positive culture;
- Whistleblower procedures;
- Code of Conduct policy;
- Internal and External audits carried, including on associated fraud controls;
- Due diligence carried out prior to any engagement;
- Underwriting, Member and Third Party Administrator ("TPA") audits;

- Third Party Risk Management ("TPRM") system facilitating the management of third party risk;
- Various finance controls, including four-eye principle and Management oversight;
- Review of work carried out by third parties prior to being reported to regulatory authorities;
- Product and Technology team in place, responsible for IT reliability, security and development;
- Succession planning in place;
- A well-developed internal control system;
- A Policy, Oversight and Governance ("POG") working group and Committee in place to ensure policies are distributed in the right manner and POG requirements are adhered to.

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.

There are several mitigation and controls in place at Accelerant to manage these risks. These are listed below:

- Reinsurance process starts early to ensure adequate time for completion;
- Experienced brokers assist with the process;
- Diversification and success of the Company's portfolio leads to more interest from Reinsurers;
- Four-eye review of data by actuaries;
- Data is reviewed and modelled by brokers, who also assist in the renewal process.
- Policy wordings are reviewed by Legal experts to ensure there is no wording mismatch;
- Policy Wordings are reviewed by experienced underwriters to ensure no

mismatch;
- Experienced Staff purchase reinsurance that is aligned by the projections performed by the actuarial team;
- Reinsurance is only purchased from companies that maintain an A- or better rating from an accredited rating agency or posts cash collateral;
- Cash Call in case of large losses is standard in the agreements;
- Cash Flow remains with Accelerant as quarterly premium payments are netted off claims, reducing liquidity needs;
- Clauses in place to exit reinsurance contract in case there is a downgrade.
- Periodic checks on the reinsurer's financials;
- Avoidance of certain countries which might be at risk, such as countries who are, or could potentially be, in collision or who tend to be in collision with the United States of America ("USA"), UK and / or the EU;
- Periodical scanning for emerging geopolitical risk in the World, especially in countries where we have reinsurers;
- There are limits in place for the maximum limit any one reinsurance and any one country for reinsurers. Reinsurance Panel chosen during renewal is based on this principle;
- Actuarial reviews by the Actuarial team on the maximum exposure for the Group.

The reinsurance default risk is included in the counterparty default risk module as part of the SCR calculation and takes into consideration, among others, the ratings of and collateral posted by the reinsurance counterparties.

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. Accelerant treats these risks through several mitigations and controls. These are listed below:

- Implementation of various IT technologies and software to manage regulatory risks and records management;
- Experienced Compliance Officer, Group Head of Compliance and supported by a wider compliance team;
- Compliance policies in place;
- Regular interaction with the regulatory authorities;
- Regulatory training provided to all staff;
- Weekly compliance team meetings;
- Software in place to ensure Accelerant personnel and third parties are not subject to international sanctions;
- Sanctions are also assessed by TPAs, Members and through the escrow account payment system;

- Data protection framework in place, with a Group Data Protection Officer ("DPO") appointed and supporting compliance & legal team;
- Specialised complaints handling person, together with supporting team to manage day-to-day complaints;
- Frequent communication with the local regulatory authorities.

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 Product and Technology 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 the following:

- A project management team which manages all Product and Technology 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 risks are reported by the CRO at every Audit and Risk Committee meeting and Board meeting. Business Leadership continually scans 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 discussed and agreed to several stress and scenario analyses. 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 sections below provide the details of these scenarios, including the assumptions taken, the SCR calculations, the summary of results and any identified management actions.

Some of the Stress Scenarios have more than one iteration of the same stress. The idea is to assess a wider range of variables within the same stress. The iterations are discussed and analysed within each scenario.

Every Stress Scenario below covers the following sections:

- Description and underlying assumptions
- SCR Calculations
- Summary of Results
- Management Action

The scenario analysis shows that the Company does have clear sensitivities to certain events transpiring. The main sensitivities that have been found relate to the growth rate of Gross Written Premium ("GWP") and a deterioration of the loss ratio, both of which would drive additional capital requirements. Additionally, the other scenarios show that in case they materialise additional capital would be required, but not in the magnitude of the aforementioned two scenarios.

None of these sensitivities show that the company has any immediate issues. It does show that if the course of business alters, additional capital is required. This ranges of the required capital depends on and varies with the scenario's taken into consideration (projecting a realistic picture or performing one or more stresses, together with the strength of such stresses). Given the available capital at the level of the parent, the Management is convinced that none of the defined scenarios or stresses causes any unrepairable damage to the Balance Sheet, nor to the financial strength of the company. Additionally, in all cases, the Solvency Capital Requirement ("SCR") cover rate remained at a suitable level and within the regulatory minimum.

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.

The Company identified a combination of three scenarios which include a substantial 50% GWP growth, together with a loss ratio increase by 12% and a combination of large losses (CAT). The reverse stress test was conducted on the 2022 year. A combination of these stresses happening are very low albeit still plausible.

C.7.2 Results and Management Action

The main Management Actions are related to the Accelerant Group providing additional capita in case of capital shortfalls. This in turn increases parental risk, but that has been mitigated by a number of private capital raises performed at the level of the Group.

Finally, the Company maintains that it is highly satisfied with the diversification and strength of its insurance portfolio and its reinsurance panel and therefore the risks modelled in the stress tests 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 accounting framework for valuing assets and liabilities is US GAAP, which is dictated by the Group reporting requirements. As such, Accelerant Insurance Europe produces a full set of primary statements under US GAAP. 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 the material classes of assets as well as the basis used and main assumptions for valuation are described below.

Class of Assets	Ref.	BEGAAP (in €'000)	Solvency II (in €'000)	Difference (in €'000)
Goodwill	a	6,514	0	6,514
Collective Investment Undertakings	b	195,352	191,879	3,473
Reinsurance Recoverables	c	456,240	370,204	86,036
Insurance Receivables	d	262,765	152,958	109,807
Reinsurance Receivables	e	207,053	0	207,053
Receivables (trade, not insurance)	f	536	0	536
Cash & Cash Equivalents	g	4,618	32,670	-28,052
Any Other Assets	h	28,442	390	28,052
Total Assets		1,161,520	748,099	413,420

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 item under Solvency II.

b. **Collective Investment Undertakings**: Under BEGAAP the collective investment undertakings 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.

c. **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 2022 was used to discount the future cash flows. Under BEGAAP, the valuation is in line with the technical provisions and should exclude deferred income.

d. **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.

e. **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.

f. **Receivables (trade, not insurance)**: Under Solvency II, the receivables (trade, not insurance) are netted with the 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 receivables and payables are not netted.

g. **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.

h. **Any Other Assets:** Under BEGAAP, the Vitesse claims fund is not considered as cash and cash equivalent but rather as 'Any Other Asset', 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 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 €'000)	Solvency II (in €'000)	Difference (in €'000)
Premium Provisions			
Gross	237,275	162,984	74,291
Reinsurers' share	202,787	148,943	53,844
Net	34,488	14,041	20,447
Provisions of Claims Outstanding			
Gross	304,332	266,840	37,492
Reinsurers' share	253,453	221,260	32,193
Net	50,879	45,579	5,299
Provision for equalization & catastrophe (Other Technical Provisions)	3,130	0	3,130
Risk Margin	0	10,019	-10,019
Gross Technical Provisions	544,737	439,842	104,895

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-specific 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 are 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 those 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.2.2 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 US GAAP 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.2.3 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 2022. For all Members, the contractual obligations extend one month after the valuation date. To estimate the BBNI premium volumes, we have taken the planned premium for the next one month 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 €'000)	Solvency II (in €'000)	Difference (in €'000)
Provisions other than Technical Provisions	a	384	53	331
Deposits from reinsurers	b	59,476	59,476	0
Deferred Tax Liabilities	c	0	2,218	-2,218
Insurance & Intermediaries Payables	d	109,807	0	109,807
Reinsurance Payables	e	286,007	78,955	207,053
Payables (trade, not insurance)	f	29,280	29,081	199
Any Other Liabilities	g	636	630	6
Total Other Liabilities		485,591	170,412	315,179

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. **Deposits from reinsurers:** Deposits received from reinsurers contain cash deposits withheld from reinsurers and are stated mostly at face value under both Solvency II and BE GAAP. Any difference between Solvency II and BE GAAP is due to discounting of the deposits under Solvency II, whereas under BE GAAP no discounting is applied to the cash deposits.

c. **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 the balance sheet. 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.

d. **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.
e. **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.
f. **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.
g. **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 data. 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 claims) this will be factored into the business plan.

D.5 Any other information

There are no additional matters to report.

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 are:

- 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 Templates ("QRTs");
- 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 2022. 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 2022	
Basic Own Funds	Total (in €'000)	Tier 1 – unrestricted (in €'000)
Ordinary Share Capital	184,561	184,561
Share premium account related to ordinary share capital	0	0
Reconciliation Reserve	(46,716)	(46,716)
Deferred Tax Asset	0	0
Other items approved by supervisory authority as basic own funds, not specified above	0	0
Total Basic Own Funds	137,845	137,845

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 Solvency II 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

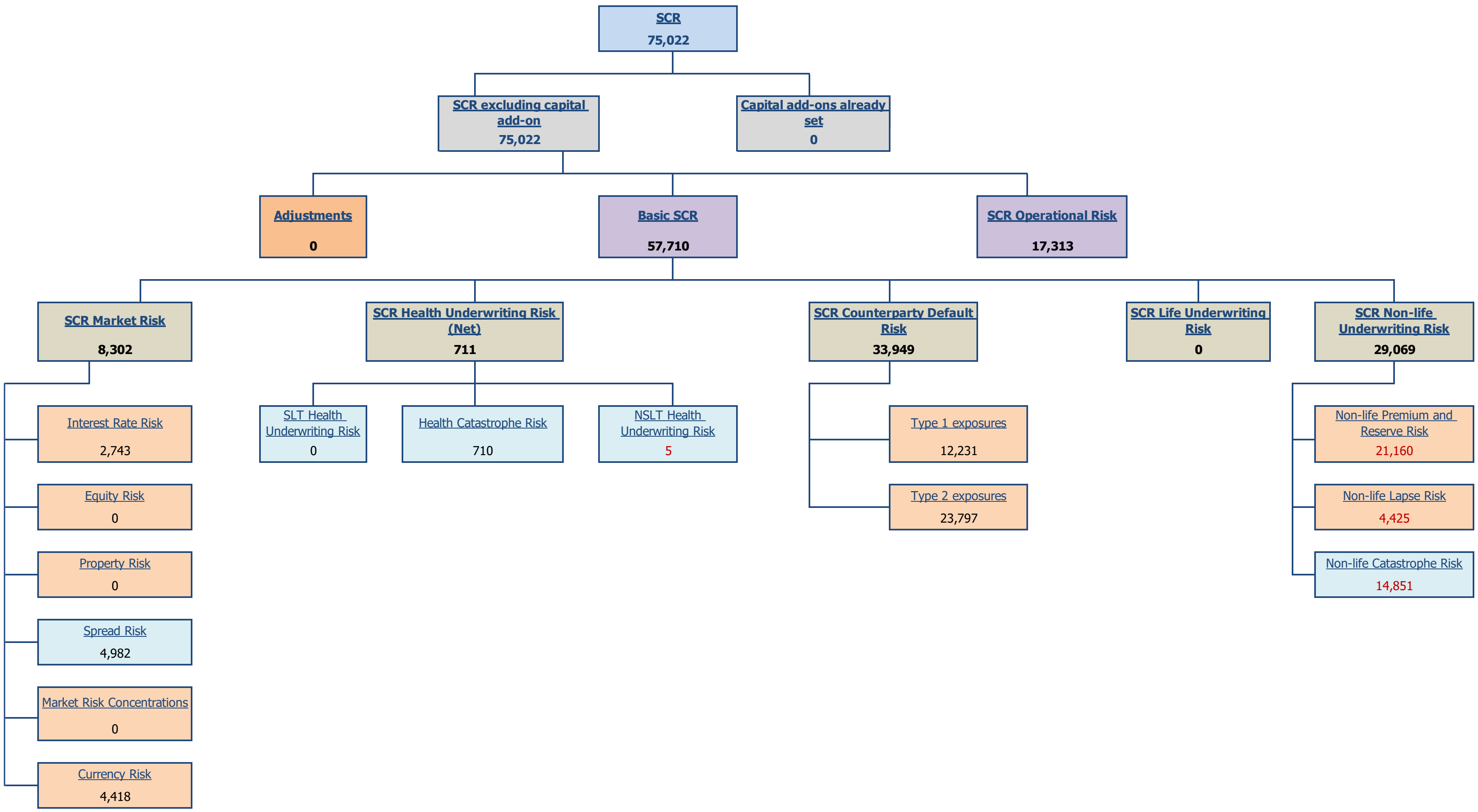
A split of the SCR and Minimum Capital Requirements ("MCR") and the eligible capital are displayed in the following tables:

Description	Capital Requirement (in €'000)	Eligible Capital (in €'000)	Solvency Ratio
SCR	75,022	137,845	184%
MCR	18,756	137,845	735%

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

Explanation of Variances	in €'000
BEGAAP – Excess of Assets over Liabilities	131,191
Solvency II – Excess of Assets over Liabilities	137,845
Variance	-6,653
Difference in the valuation and classification of assets	413,420
Difference in the valuation of technical provisions	-104,895
Difference in the valuation and classification of other liabilities	-315,179
Variance	-6,653

The SCR breakdown is shown below (all amounts are in EUR'000):


SCR
75,022
SCR excluding capital add-on
75,022
Capital add-ons already set
0
Adjustments
0
Basic SCR
57,710
SCR Operational Risk
17,313
SCR Market Risk
8,302
SCR Health Underwriting Risk (Net)
711
SCR Counterparty Default Risk
33,949
SCR Life Underwriting Risk
0
SCR Non-life Underwriting Risk
29,069
Interest Rate Risk
2,743
Equity Risk
0
Property Risk
0
Spread Risk
4,982
Market Risk Concentrations
0
Currency Risk
4,418
SLT Health Underwriting Risk
0
Health Catastrophe Risk
710
NSLT Health Underwriting Risk
5
Type 1 exposures
12,231
Type 2 exposures
23,797
Non-life Premium and Reserve Risk
21,160
Non-life Lapse Risk
4,425
Non-life Catastrophe Risk
14,851

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"); managed by Mercer and HSBC.
  - 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 funds with HSBC are invested in Money Market Funds.
  - 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 quota share reinsurance contracts require the reinsurance balances to be 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 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 QS reinsurers whereby each benefit from a strong rating by an External Credit Assessment Institution ("ECAI") or collateral. We also have an AM Best A- rated intra-group QS reinsurance agreement with Accelerant Re (Cayman) Ltd.

- 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.

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 €4.0m.

For 2022, the Company's MCR was defined by the floor set out in the Standard Formula.

Description	in €'000
SCR	75,022
MCR	18,756

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.

In € '000	2023	2024	2025
Solvency Ratio	**153.78%**	**194.27%**	**224.13%**
MCR	20,962.72	16,678.73	14,628.25
SCR	**83,850.90**	**66,714.93**	**58,513.01**
Adjustment	-	-	-
Operational Risk	19,350.21	15,395.75	13,503.00
BSCR	**64,500.69**	**51,319.17**	**45,010.00**
Market Risk	14,761.59	14,738.34	13,958.07
Interest Rate Risk	2,418.39	2,469.71	1,948.66
Spread Risk	6,642.75	6,527.32	5,008.40
Property Risk	-	-	-
Equity Risk	-	-	-
Concentration Risk	-	-	-
Currency Risk	10,890.00	10,925.43	11,259.64
Life Underwriting Risk	-	-	-
Health Underwriting Risk	17.52	17.05	17.86
CPD Risk	34,456.37	25,494.27	23,363.41
Type 1 risk	12,989.75	10,463.97	7,852.79
Type 2 risk	23,625.65	16,688.81	16,889.12
Non-Life Underwriting Risk	33,285.04	26,559.76	21,598.36
Catastrophe Risk	10,945.78	8,195.46	7,868.47
Premium and Reserve Risk	28,219.00	22,976.43	18,046.81
Lapse Risk	6,110.02	4,023.42	2,808.66
Available Capital	**128,943.63**	**129,604.55**	**131,144.19**

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	39%	49%
Motor Vehicle Liability	39%	63%
Marine, Aviation & Transport	39%	51%
Fire & Other Damage to Property	39%	51%
General Liability	39%	45%
Credit & Suretyship	39%	39%
Legal Expenses	39%	43%
Miscellaneous Financial Loss	39%	40%

The total average ultimate loss ratio for the portfolio is targeted at 46%.

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.

E.6 Any other information

Accelerant UK Holdings Limited, in its capacity as the parent undertaking of Accelerant Insurance Europe NV / SA, made multiple investments in AIE during 2022 by means of capital contributions in cash. 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 €'000)	Total capital (in €'000)
20/11/2020	62 (initial)	62
22/02/2021	20,500	20,562
27/09/2021	13,365	33,927
30/09/2021	21,634 (contribution in kind)	55,561
30/12/2021	35,000	90,561
30/03/2022	18,000	108,561
23/06/2022	13,000	121,561
26/09/2022	18,000	139,561
29/12/2022	45,000	184,561

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	British Pound Sterling
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	Process 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