Accelerant Insurance UK Limited

Solvency Financial Conditions Report (Group SFCR) 2022

Contents

Summary

Accelerant Underwriting Holdings UK Ltd and its subsidiaries comprises of a number of entities, each performing different but complimentary roles within the same sector. The regulatory Group for Solvency II (SII) purposes comprises of the aforementioned entity (hereafter referred to as AUHUKL) and Accelerant Insurance UK Limited, formerly Guarantee Protection Insurance Limited (hereafter referred to as 'AIUK'). This report has been produced in relation to the regulatory Group for SII purposes and comprises AUHUKL and AIUK (hereafter "The Group").

AUHUK is a holding company which is in turn owned by Accelerant Holdings UK Limited ('AHUK'), part of the Accelerant group, which is a global group, providing insurance capacity, expertise and technology solutions to its member MGAs and other insurance industry stakeholders.

Major Events during the Reporting Period

AIUK Board Directorship Changes

During 2022, the following changes were made to AIUK's portfolio of SMF managers:

- Jay Frew resigned as a Director of AIUK on 31/07/2022; though remained in-post as MLRO.
- Richard Cunningham was appointed as Executive Director and Chief Finance Officer with the condition precedent that regulatory approval is obtained.
- Keith Jackson was appointed as a Non-Executive Director and Chair of the Risk Committee with the condition precedent that regulatory approval is obtained.

Key Elements and drivers of the business

AIUK is wholly owned by AUHUK and is a UK insurer.

AIUK is a specialist underwriter which retains experience and expertise in the provision of long-term Insurance Backed Guarantees (IBGs) for construction and related work, with a historic niche in timber treatment, damp proofing, roofing, and double glazing.

The Group's risk appetite is aligned to retain focus around driving consolidation and concentration on the core business activities as described above, while seeking opportunities to diversify the book where appropriate.

Underwriting Performance

Geographical Split of Business	**100% UK & Ireland**	**100% UK & Ireland**
	2022 (£m)	2021 (£m)
Gross Written Premium	6.00	4.79
Technical Provisions	23.11	20.82
Movement in UPR	(1.51)	(0.54)
Claims Paid and Incurred	3.46	3.09
Operating Expenses	2.93	1.6
Expenses as a % of Premium	49%	33%

Key Elements of the Governance System

The Group is subject to the Senior Managers and Certification Regime (SMCR) which is a regulatory framework that came into force on 12th December 2018. The regime reflects the regulators' intention to align regulation of insurance with the banking supervision rules, with its primary purpose to strengthen accountability and governance, and ensure that Senior Insurance Managers conduct themselves with honesty, integrity, and skill.

The current governance structure is designed to ensure accountability; with each Director and senior manager being approved by the regulator for the functions they perform; and with a statement of responsibility being prepared for each, in order to ensure clarity on responsibilities.

The Board itself is designed to support independent challenge; and is Chaired by an independent non-executive. Additionally, the following Board subcommittees are also led by independent non-executives:

- The Nomination Committee*
- The Remuneration Committee*
- The Risk Committee
- The Audit Committee*

*The membership of these committees are comprised exclusively of independent non-executives.

Additionally, the executive management team meet as part of the following committees, which ultimately report to the Board committees:

- The Executive Committee
- The Reserving Committee
- The Asset and Liability Committee

More information on the committee structure can be found in section B.1.

Key Risks identified as Material to Business Objectives

The Group's Primary Material Risks are Solvency Risk, Interest Rate Risk, Inflation Risk, Investment Performance Risk, Reserving Risk, Underwriting Risk, and Operational Risk. These risks are aligned to one or more of The Group's three Strategic Objectives and the appropriate level of capital needed to manage these risks can be determined through use of the Standard Formula.

The Group's Secondary Material Risks are Regulatory Risk, Strategic Execution Risk, Emerging Risk, People Risk, Model Risk, Outsourcing Risk and Change and Transformation Risk. These risks are aligned to one or more of the Group's three Strategic Objectives, however the appropriate level of capital needed to manage these risks cannot be determined through use of the Standard Formula. The Group aims to quantify capital requirements derived from all risks it faces where possible, however, the Board accepts that this is not always possible. In these instances, the Board uses empirical analysis to determine impact. This analysis allows the Group to build in a capital buffer when determining the appropriate solvency risk appetite and gives the Directors additional assurance that suitable consideration has been given to all risks faced in the current environment with respects to both capital needs and policyholder protection.

In addition to the above, The Group recognises risks, or believes there is potential to recognise risks in the future, in the below categories. Whilst these risks have been recognised, they are classified as "Other" due to any one of the following contributing factors:

- They currently do not meet the materiality threshold due to the limited scope of the risk in relation to the business model

- They are a consequence of the crystallisation of a Material Risk
- They are avoided by way of risk response measures.
- They are components of the external market and outside of our control

The Relationship between Risk and Capital Management

The Solvency II ('SII') regime has been effective since 1 January 2016 and establishes a new set of EU wide capital requirements, risk management and disclosure standards. The Group is required to meet a Minimum Capital Requirement ("MCR") and a Solvency Capital Requirement ("SCR"), which is calibrated to seek to ensure a 99.5% confidence of the ability to meet obligations over a 12-month time frame.

The Group calculates its SCR in accordance with the standard formula prescribed in the SII regulations.

The Group has met the key deliverable requirements of the PRA. The Own Risk and Solvency Assessment ("ORSA") was submitted in December 2022. Quantitative Reporting Templates ("QRTs") have been submitted to the PRA for all quarters in 2022. All submissions were made before the last submission dates.

Solvency Capital Requirement

The Group

At the 31st of December 2022, The Group had total Own Funds of £14.16m (31st December 2021: £11.23m). These are Tier 1 as at 31 December 2022.

The Own Funds supported the Solvency Capital Requirement of £8.49m resulting in a ratio of eligible funds to achieve a solvency coverage ratio of 167% and a surplus of £5.67m.

AIUK

At the 31st of December 2022, AIUK had total Own Funds of £14.75m (31st December 2021: £12.04m). These are Tier 1 as at 31 December 2022.

The Own Funds supported the Solvency Capital Requirement of £8.48m resulting in a ratio of eligible funds to achieve a solvency coverage ratio of 174% and a surplus of £6.27m. The Minimum Capital Requirement (MCR), a minimum level below which the amount of financial resources should not fall was £3.43m, resulting in a ratio of eligible funds to meet the MCR of 430%.

Tier 1 funds arise from retained profits from past underwriting and unencumbered share capital and investment surpluses. They are available to fully absorb losses on a going-concern basis, as well as in the case of winding-up, meeting all criteria of Article 94 of Directive 2009/138/EC to be classified as Tier 1 own funds. All AIUK's Tier 1 funds are unrestricted.

AIUK has no ancillary Own Funds. No deductions are applied to Own Funds and there are no material restrictions affecting their availability.

Information on any non-compliance with the Minimum Capital Requirement (MCR) or SCR

During the full reporting period the The Group was compliant with its MCR and SCR.

A. Business and Performance

A.1 Group Overview

Accelerant Underwriting Holdings UK Ltd and its subsidiaries comprises of a number of entities, each performing different but complimentary roles within the same sector. The regulatory Group for Solvency II (SII) purposes comprises of the aforementioned entity (hereafter referred to as AUHUKL) and Accelerant Insurance UK Limited, formerly Guarantee Protection Insurance Limited (hereafter referred to as 'AIUK'). This report has been produced in relation to the regulatory Group for SII purposes and comprises AUHUKL and AIUK (hereafter "The Group"). Refer to Appendix ii for the simplified group structure.

AIUK is a small, UK SII insurer, authorised by the PRA. Its firm reference number on the Financial Services Register is 207658. The company is registered in England under Company Number 03326800 with a registered address of 1 Fleet Place, London, England, EC4M 7WS.

Insurance Business

AIUK undertakes insurance business largely within the UK; with only a limited amount of legacy business currently in run off in European jurisdictions. AIUK's Part 4 permissions permit it to effect contracts of insurance in the following categories:

- Fire and Natural Forces (class 8)
- Damage to Property (class 9)
- Miscellaneous Financial Loss (class 16)

The 2022 premium was written within the UK under class 16 Miscellaneous Financial Loss. However, as part of AIUK's draft regulated business plan (submitted to the regulators at the end of the reporting period, on 30th December 2022), a variation of permissions ("VOP") application is pursued. As part of the VOP application, AIUK applied for additional licences. At the time of writing, the application is being progressed under the protocol of the New Insurer Start Up Unit.

Auditors

The external independent auditor for the annual report for the year ending 31st December 2022 was:

PricewaterhouseCoopers LLP
Atrial One
144 Morrison Street
Edinburgh
EH3 8EX

AIUK is authorised by the Prudential Regulation Authority (PRA) and is regulated by the Financial Conduct Authority (FCA) and the PRA.

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

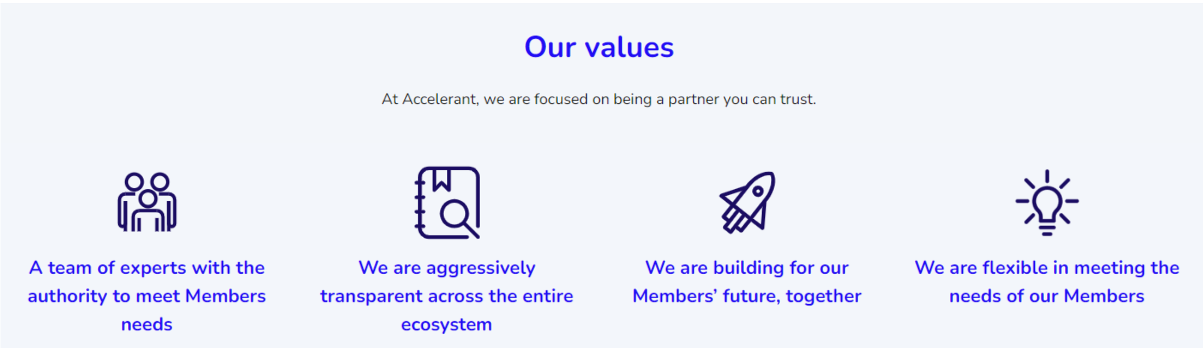
A.2 Business Summary

As a specialist underwriter AIUK retains experience and expertise in the provision of long-term Insurance Backed Guarantees (IBGs) for construction and related work, with a historic niche in timber treatment, damp proofing, roofing, and double glazing. During 2022 AIUK continued to focus principally on these core markets and products. AIUK wholly owns Warranty Services Ltd (WSL) which is an insurance intermediary with significant operational capability and experience in the administration and distribution of IBGs to home improvement contractors, such as those who are members of Competent Person Schemes. AIUK, via WSL, has also been involved in the provision of IBG based products to contractors in respect of the Energy Company Obligation (ECO), Trustmark and also to firms who have joined the Renewable Energy Consumer Code (RECC) scheme, all of which have been sponsored by Government. The extent of involvement in these areas has varied in line with changes to Government policy and incentives available to the industry.

Overall, business introduced to AIUK by WSL contributed approximately 77% of the premium income written by AIUK in 2021. AIUK also provides an underwriting solution for a small number of insurance intermediaries and an appointed representative in respect of niche insurance products in the miscellaneous financial loss class of business.

The Group's risk appetite is aligned to provide focus around driving consolidation and concentration on the core business activities as described above.

Our values

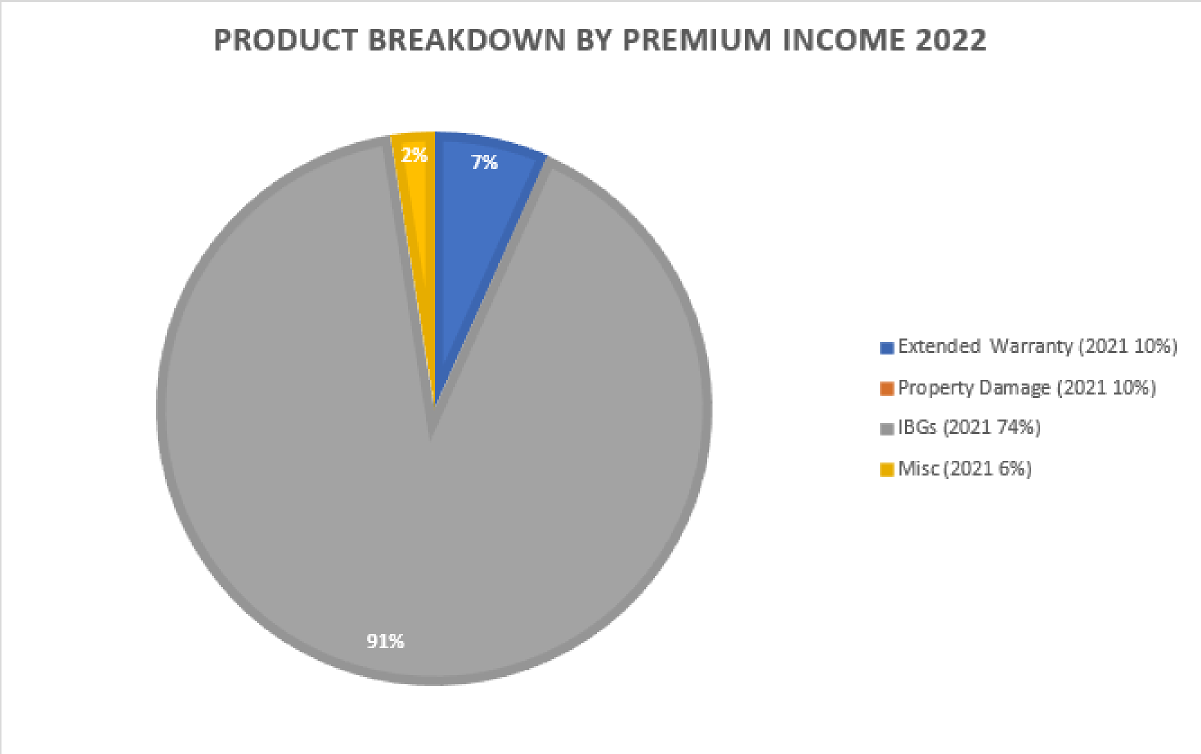


A.3 Underwriting Performance

Gross Written Premium (GWP)

During the course of the year, AIUK's written premium income was £6.0m which is considerably higher than the prior year of £4.8m mainly due to strong performance in the core products and a new third party performing above expectations. The strategic policy of AIUK remained largely unchanged in 2022 following the acquisition, with continued focus on reducing non-core legacy claims costs, and to focus growth on the core products of Insurance Backed Guarantees. The majority of premium was written within the UK under class 16 Miscellaneous Financial Loss.

The mix of products underwritten by AIUK for the 2022 financial year is demonstrated in the chart below:



*There was no Property Damage in 2022.

Unearned Premium Reserve (UPR)

Under UK GAAP, AIUK earns premium on a straight-line basis over the term of the insurance policy, and this remains the Board approved policy until any claims or actuarial information would suggest this should be altered based on the incident of risk. The balance is held as an Unearned Premium Reserve on the balance sheet and unwound over the term of the policy.

Operating Expenses and Claims Paid and Incurred

Expenses have been closely managed during the year, however, we have incurred higher costs preparing for the integration into the Accelerant Group. Whilst there has been a deterioration in legacy closed schemes claims, our core business claims have performed in line with management expectations.

Underwriting Performance

Geographical Split of Business	**100% UK & Ireland**	**100% UK & Ireland**
	2022 (£m)	2021 (£m)
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Technical Provisions	23.11	20.82
Movement in UPR	(1.51)	(0.54)
Claims Paid and Incurred	3.46	3.09
Operating Expenses	2.93	1.60
Expenses as a % of Premium	49%	33%

A.4 Investment Performance

The Board approved investment strategy remains low risk. The three key objectives of the investment strategy are 1) capital preservation through aligning the future cashflows for both assets and liabilities, 2) liquidity of assets and 3) income generation. In July 2022, AIUK changed investment managers from Vestra Ltd to Mercers LLC to align with the wider Accelerant Group. The funds held with Vestra Ltd were liquidated in July 2022 and transferred to Mercers LLC and invested in two fixed income funds and a cash fund in line with the investment strategy.

AIUK had no investments or equities in securitisations during the period. The table below summarises the investment performance during 2022 and 2021.

Investment Performance 2022 (£)	*Net Investment Income*	*Net Investment Expense*	*Net Realised Gains and Losses*	*Changes in fair value*	*Revaluation of Property*	*Net Investment Result*
Managed Funds						
Government Bonds	75,394		(324,135)			(248,741)
Corporate Bonds	109,529		(223,748)			(114,219)
Collective investment undertakings			25,147	(317,229)		(292,082)
Loans and Receivables	5,880					5,880
Investment in Subsidiary						
Cash and Cash Equivalents	4,533					4,533
Investment Property	-				15,000	15,000
Other Investment Income	8,910					8,910
	204,246	**-**	**(522,736)**	**(317,229)**	**15,000**	**(620,719)**

Investment Performance 2021 (£)	*Net Investment Income*	*Net Investment Expense*	*Net Realised Gains and Losses*	*Changes in fair value*	*Revaluation of Property*	*Net Investment Result*
Managed Funds						
Government Bonds	182,371	-	-	(305,655)	-	(123,284)
Corporate Bonds	246,254	-	(192,022)	(216,267)	-	(162,035)
Loans and Receivables	7,015	-	-	-	-	7,015
Investment in Subsidiary	400,000	-	-	-	-	400,000
Cash and Cash Equivalents	532	(12,519)	-	-	-	(11,987)
Investment Property	-	-	-	-	-	-
Other Investment Income	9,075	-	-	-	-	9,075
	845,247	**(12,519)**	**(192,022)**	**(521,922)**	**-**	**118,784**

A.5 Any other information

No further information to be reported.

B. System of Governance

B.1 General information on the system of governance

Corporate Governance

Sound governance is key to the Group's success. This is structured in such a way as to ensure that AIUK, the Group's insurance carrier, meets its legal and regulatory obligations; delivers on good customer outcomes; whilst setting the tone for a purposeful governance culture. This approach has numerous component parts; those being:

- The Governing Body
- The Board Subcommittees
- The Management Committees
- The SMF Managers
- The Independent Non-Executive Directors
- The Certification Staff

Board

The Board forms a key part of strategy, as it is responsible for setting the overall strategic objectives and direction for AIUK. The voting membership of the Board comprises the Directors of AIUK; and it is also attended by senior managers and other stakeholders, who prepare input in accordance with the standing agenda. The Board's terms of reference set out the matters reserved for it; as well as providing for mechanisms for the assessment of its effectiveness.

During 2022, the Board's remit changed; previously, a composite governing body (known previously as the "GMB") was the primary governance forum for the Group. The Board is now exclusively an AIUK forum, providing sufficient bandwidth within the governance framework to competently address all matters within the Board's remit.

The Board Subcommittees

There are a number of Board-level committees which support the Board in its work:

<u>Nominations Committee</u>

As a subcommittee of the Board and being composed exclusively of Independent Non-Executive Directors: The Nominations Committee is responsible for ensuring that individual members of the governing body and the SMF managers are selected on the basis of their honesty and integrity; competence and capability; and financial soundness. Moreover, the Nominations Committee is responsible for ensuring that the members of the governing body and the SMF managers, as a collective, are sufficiently diverse as to their skills, areas of expertise and backgrounds.

<u>Remuneration Committee</u>

As a subcommittee of the Board and being composed exclusively of Independent Non-Executive Directors: The Remuneration Committee is responsible for overseeing AIUK's remuneration frameworks and in particular, to ensure that the manner in which individuals are remunerated remains in the best interests of customers.

AIUK's remuneration policy ensures that the business both complies with its legal obligations under applicable employment law (such as the Equality Act); and adheres to applicable regulation (such as the "customer's best interest rule" set out in the Insurance Distribution Directive). Remuneration is an important consideration from a governance perspective; and therefore, AIUK has a Remuneration Committee as part of its corporate governance framework. The Remuneration Committee members are comprised solely of Independent Non-Executive Directors and their responsibilities are to ensure that AIUK's remuneration position promotes sound and effective risk management and does not encourage risk-taking that exceeds the risk tolerance limits. The Committee reviews the appropriateness of salary and bonus; and recommends decisions to these areas to the Board, in due consideration of all relevant factors, including evidence of conduct.

AIUK operates an auto-enrolment employment pension scheme via Royal London for its employees (including its Senior Managers).

An assessment of the adequacy of the insurer's system of governance taking into account the nature, scale and complexity of the risks inherent in the business.

Risk Committee

As a subcommittee of the Board: The risk committee has oversight of all risk and control activity. In particular, it is responsible for reviewing the Risk Management Framework; for monitoring the effectiveness of the risk function; and for proposing Risk Appetite statements for adoption by the Board.

Audit Committee

As a subcommittee of the Board: The audit committee is responsible for reviewing and challenging financial statements; for the selection and remuneration of AIUK's audit partners; and for the oversight of the internal audit function.

The Management Committees

In addition to the Board Committees, there are a number of Executive Management Committees.

Executive Committee

The Executive Committee is AIUK's operational management committee, responsible for applying the culture and strategy set by the Board to the day-to-day running of the firm; and for monitoring the approach to operational risk management. This committee maintains a set of terms of reference agreed by Board and operates under the authority delegated to it by that body. The CEO and CFO are members of the Executive Committee.

Reserving Committee

This committee considers matters in relation to key reserving judgements and assumptions.

Asset/Liability Management Committee

This committee monitors and reviews assets in order to ensure that assets are invested in a manner that is consistent with the future liabilities of the business. In particular, by giving cognisance to UK Solvency II and any other instrument which may impose particular obligations on AIUK in terms of the management of assets and liabilities.

The SMF Managers

AIUK has a number of SMF Managers who are individually authorised by the regulators to discharge particular senior management functions. These individuals are selected on the basis of their competence to undertake those functions, but also on the strength of how the individual complements the Group's strategy with regards to the markets in which it operates.

Each SMF manager has a prepared statement of responsibilities, which is a summary of the controlled functions; prescribed responsibilities; and overall responsibilities for which the SMF manager is responsible. Handover documentation is maintained on an ongoing basis by SMF managers to aid in succession planning and to ensure that incoming SMF managers are provided with appropriate information to permit them to discharge their responsibilities.

The fitness and propriety of the SMF managers is subject to initial assessment on onboarding, and to ongoing monitoring, attestation and validation checks through the course of their engagement in accordance with the Group's Policies and Standards on vetting.

During 2022, the following changes were made to AIUK's portfolio of SMF managers:

- Jay Frew resigned as a Director of AIUK on 31/07/2022; though remained in-post as MLRO.
- Richard Cunningham was appointed as Executive Director and Chief Finance Officer with the condition precedent that regulatory approval is obtained. Approved on 25 January 2023.
- Keith Jackson was appointed as a Non-Executive Director and Chair of the Risk Committee with the condition precedent that regulatory approval is obtained. Approved on 15 February 2023.

The Independent Non-Executive Directors

AIUK is cognisant of the PRA's expectation for smaller PRA regulated firms (such as AIUK) to have at least two Independent Non-Executive Directors. Independent challenge is an important part of the development of strategy at both Group and solo level. To this end, AIUK is committed to maintaining at least two Independent Non-Executive Directors; and has sought regulatory approval for a third. Moreover, AIUK is committed to ensuring that for the committees in which the Chair is a Non-Executive Director, that the Chair has a second casting vote in the event of an equity of votes (as a means of balancing decisions in the direction of independent challenge).

The Certification Staff

AIUK, as a UK Solvency II insurer, employs a number of individuals performing Key Functions (inter alia, risk, compliance, actuarial). These individuals form the certification staff, and their competence is subject to attestation by AIUK. These individuals play a key role in governance by attending the Executive Committee and other forums in which their expertise and input is required.

AIUK continually assesses the competence of its certification staff and issues certificates in respect of their competency on a 6 monthly basis, where the assessment criteria have been met.

Appropriateness of Arrangements

The current governance arrangements were arrived at in Q1 2022 following a review of the previous arrangements by AIUK's second-line. These previous arrangements saw a composite governance forum acting as the governing body for both AIUK and its subsidiary, Warranty Services Ltd. The review by AIUK's second-line proposed that individual accountabilities in respect of FCA and PRA inherent and prescribed responsibilities (particularly in consideration of the SM&CR) could be more resolutely discharged were discrete forums to be held in respect of the governing body for each of those firms. Moreover, the review also noted that in doing so, additional governing body bandwidth would be available to allow for the forums to explore risks & issues unique to the relevant firm. This being the case, in 2022, separate forums were established; with the AIUK Board meeting as an entity Board through that period. This being to the inure of the propriety of the governance arrangements.

A board effectiveness self-assessment in a standardised format shall be undertaken in Q1 2023 in consideration of the changes made to the governance arrangements in 2022.

B.2 Fit and proper requirements

AIUK has a fit and proper review process with all new applicants subject to complete vetting in accordance with the recruitment and vetting policy. On a yearly basis, all existing employees are required to complete a declaration confirming that their personal circumstances have not changed in a material way which would affect their fitness and propriety. No less than 10% of these declarations are subject to a spot-check on an annual basis to validate these declarations. Such sample checking includes the procurement of a criminal record disclosure and a credit check. Where an employee - being subject to a sample check - has already been subject to a 'Standard' level criminal background check, 'Basic' level criminal background check shall be sufficient for all further checks.

Simultaneously with these declarations, the senior managers are asked to submit updated handover documents in order to aid AIUK's succession planning framework.

On an annual basis, the Compliance function undertakes a review of the fitness and propriety process in order to ensure that the above checks have been undertaken and that they have been adequately scoped in accordance with the SM&CR; the FCA competence rules; and sound practice.

Skills, knowledge and expertise

Competency assessments are required to be undertaken by each proposed senior manager. This assessment sees the proposed senior manager answer a number of relevant queries which is relevant to their job-role and their responsibilities. Each of these questions belongs to one of the following categories: "Knowledge & Understanding"; "Critical Analysis"; and "Capability & Leadership". The firm then assesses the responses, together with the individual's conduct, against the criteria of completeness of understanding; effective prioritisation of facts & objectives; embracement of good cultural attitudes; ability to articulate critical thoughts and ideas; and ability to defend decisions and opinions. This assessment is signed off by a senior manager.

In accordance with the IDD, all employees are required to undertake at least 15 hours of insurance CPD per year. To meet this objective, AIUK avails itself of CBT modules from Skillcast. These comprise of a number of E-learning modules on essential regulatory thematic areas such as the individual conduct rules; financial crime; and data protection. The syllabus is tailored for seniority; for example, senior managers receive a module on the COCON 2.2 conduct rules for senior managers.

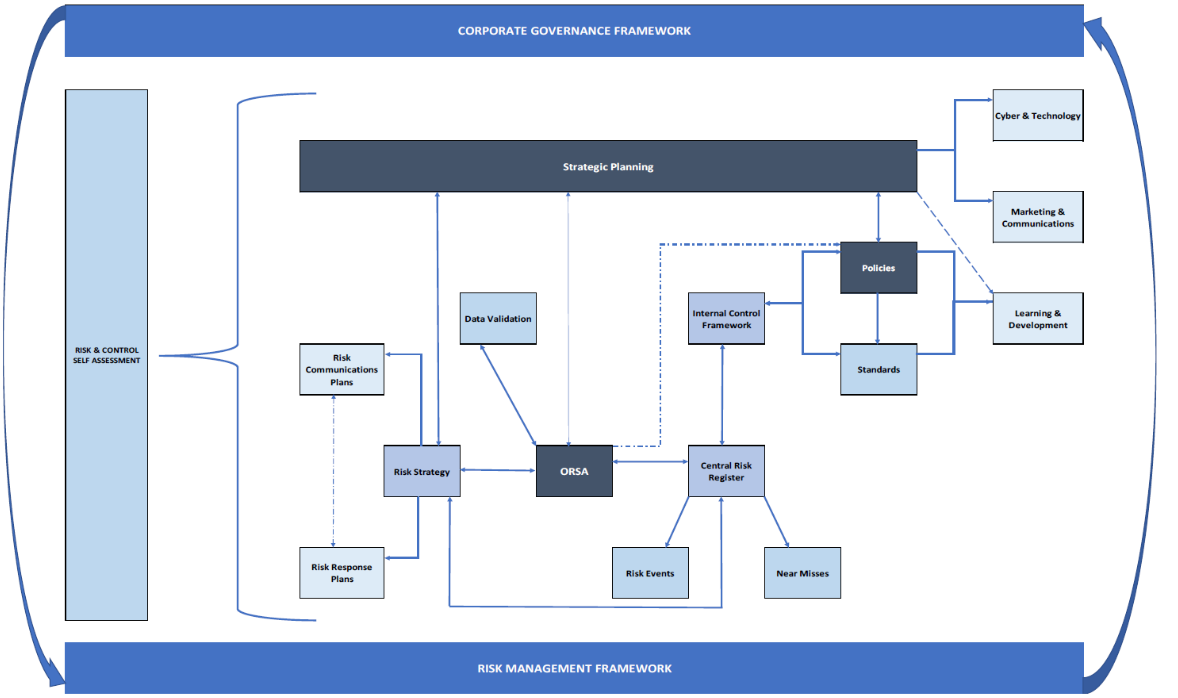
In order to ensure that AIUK's senior managers are well-versed in SII; AIUK engaged Mazars LLP to provide periodic and tailored refresher training on each of the SII pillars. A syllabus was agreed in 2022; with the first schedule to be delivered in February 2023.

In respect of individuals captured by the certification regime; the competency of these individuals is continuously kept under review; with competency certificates issued at least once annually where AIUK is satisfied that the individuals remain competent.

B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA)

The Group's Risk Management Framework (RMF) refers to a collection of policies, standards, procedures (either individually or as they sit within an aligning Framework) which help us to effectively, and equally as important, holistically, manage the risk we face in pursuit of our strategic objectives. The RMF sets out high level ideologies, detailed methodologies, and operational guidance to help employees better understand and effectively manage the risk that they face in their roles.

The below diagram depicts the information flow between the Group's core Frameworks that help to shape the risk environment to ensure the consistent and holistic approach to risk management is at the centre of all business activities.



The Company defines risk as a potential event that could impact the achievement of an objective. The outcome of a risk can either be positive (an opportunity) or negative (a threat). To manage these events, the Company sets out an enterprise level, consistent and systematic approach to the identification, understanding, assessment, prioritisation, evaluation, mitigation, and reporting of AIUK risks in relation to its strategic objectives. The primary purpose of this framework is to:

- Ensure decisions made are aligned with the risk posture of the Company
- Minimise any adverse financial impact of risk materialisation
- Ensure appropriate protection for policyholders
- Ensure the Company can meet its legislative, regulatory, and (internal and external) stakeholder obligations

The Framework centres around risk culture and aims to adopt best practice strategic risk management as aligned to strategic objectives and planning, keeping sight of interdependencies between risk management and corporate governance, and aligned appropriately to the nature, scale, and complexity of the established business model. The approach is also culture centric and places onus on the fiduciary duties of directors to provide the appropriate leadership with respect to risk oversight, dialogue, and continuous evolution of risk awareness. This leadership then leads into strategic planning, governance arrangements, systems and controls, management responsibilities, and overall culture. The expectation of the regulators is that each firm have processes in place, proportionate to their business operations and exposures, to responsibly identify, assess, manage, monitor, and report on risk(s) that they are exposed to, or potentially exposed to.

Framework alignment and documentation

There are various component parts of the overall frameworks, of which each form one of the critical concepts of effective governance and contributes towards effective achievement of the risk management strategy. These components are documented through a full suite of policies and procedures; of which the most material are outlined below:

- The Corporate Governance Framework Policy
- The Capital Management Policy
- The Strategic Planning Framework Policy
- The Risk Management Framework Policy
- The Risk Appetite Framework Policy & Statements
- The Internal Control Framework Policy
- The Operational Resilience Framework Policy
- The Outsourcing Policy

Embedment of the Risk Management Framework

The Risk Function is charged with effecting the Company's Risk Management Framework and executes its duties objectively and independently. The Function is responsible for ensuring that all of the Company's significant risks are identified, assessed, managed, and duly reported. To ensure that the risk underpins all management decisions, the Function is also actively involved in mapping out the Company's risk strategy to its objectives and embeds itself in the decision-making processes that have a significant influence on firms' risk landscape.

As part of its obligations, the Function has an established risk review and reporting process in place to ensure each level of the governance structure gets the right data, at the right time, to make informed decisions with respects to the overall achievement of the firm's strategic goals. The prescribed process includes quarterly material risk and risk domain reviews as a BaU exercise, which is inclusive of the micro and macro environments to assess the domain landscape, and analysis of key risk indicators and identified risk responses to assess threat levels on an individual basis.

The Framework also includes other risk monitoring procedures to ensure that the firm has adequate sight of its threat levels such as an annual evaluation of the adequacy and effectiveness of the internal control framework, the annual risk and control self-assessment process, and the own risk and solvency self-assessment process.

Our Risk Management Framework is designed to ensure the effective identification, measuring, monitoring, and reporting of any risks to the achievement of the Group's business objectives. The identified level of risk the Group is willing to accept is used in conjunction with the remaining information extracted from various assessments to set Risk Appetite objectives, tolerances, statements, KRI's, and risk response plans.

Further to this, the Company also has in place a robust Risk Appetite Framework which identifies three key pillar high level risk appetite - Business Model Sustainability, Capital and Solvency, and Business Resilience and comprised of the following elements:

- Strategic Objectives – The long-term objectives agreed by the Board that shape and define the course of business.
- Preferred Risk Position – Outlines the Board's most comfortable position for different risk types.
- Risk Tolerances - High level Board approved qualitative tolerances.
- Risk Appetite Statement - Statements of the degree of risk the Group is willing to pursue in its business affairs.
- Risk Responses – Identified plans of action should an appetite or tolerance be breached.
- Time horizons – The five-year horizon to which risk strategy is calculated and the period used to determine if the return on risk is deemed acceptable. The time horizons are linked to the ORSA Process and the Strategic Planning Framework. The return on risk can reflect an area of opportunity, avoidance, transfer, or acceptance, considering the return is in line with Risk Tolerances.

Governing Body Visibility

To ensure that the Risk Management Framework is effective and well-integrated into the organisational structure and informed decision-making processes, risk management is either the focus of, or a standing agenda point of the Board, the Risk Committee, and the Executive Committee. There is an established Board-level Audit Committee that is responsible for oversight of the effectiveness of systems of internal controls; all internal and external audit activities; monitoring of any significant pending legal actions; and review and challenge of the AIUK's financial statements.

The Risk and Compliance function(s) also attend this committee to provide assurance and challenge to the operational effectiveness and performance of the first (business units) and third (internal and external auditors) lines of defence.

The ORSA Process

The Own Risk and Solvency Assessment (the ORSA) is effectively an annual risk management process that seeks to document, consider, and equate an insurer's established systems and controls to its balance sheet strength. It therefore forms an important and integral part of a firm's risk management framework.

The Board approved ORSA policy sets out the associated governance landscape for the assessment and outlines the key established processes, procedures and controls that support the establishment, maintenance, and embedment of an ORSA within the firm, including a description of the processes and procedures in place to conduct and approve the ORSA and consideration of the link between the consolidated risk profile, the approved risk appetite statements, and the solvency requirements.

The process itself sets out to utilise both quantitative (Standard Formula) and qualitative (empirical analysis) methods to identify the set of material risks to which the firm is exposed, assess the measures in place, and calculate the levels and calibre of capital needed to manage the firm's material risks of which the relevant results are produced through the ORSA Summary Report. All operational detail underpinning the ORSA baselines are agreed by the Executive Committee prior to being referred to the Risk Committee for recommendation of approval to the Board. The tiered review approach ensures a realistic and holistic view of the risk environment so that it properly reflects the nature of the risks faced now and in the short to medium term, in line with the business planning period. In particular, the identified Material Risks have been subjected to rigorous assessment and a range of stress tests/scenario analysis to allow an appropriate identification of potential needs for additional capital, the assessment of availability of capital, the logistics of any potential transfer of capital from the wider Group, and alignment of individual and domain risk strategies.
In certain instances, the Board may determine that an out of cycle ORSA should be completed where early warning indicators suggest there may in short course, be a material change to the firm's risk profile. These instances require formal Board approval and include:

- an intended acquisition or divesture;
- establishing a new line of business;
- a major amendment to the established risk appetite settings;
- a major amendment to the established reinsurance arrangements;
- a portfolio transfer or major changes to the mix of assets;
- a significant change in any related regulation (that would potentially impact our balance sheet strength);
- a new or re-assessed threat to solvency identified by Stress and Scenario testing or any other method;
- a request from the PRA to undertake an out of cycle ORSA;
- the Stress and Scenario tests employed will be approved by the RC and performed at least annually, or more frequently as determined by the RC, or potentially the PRA;
- in order for an out-of-cycle ORSA to be undertaken, all underlying processes will be prepared for the possibility of doing so at any point in time;
- the availability and quality of data used within the ORSA process will be continually assessed to seek to ensure that it retains the highest standards in terms of completeness and appropriateness.

The ORSA by its nature will always be forward looking, and the Group will always seek to include as a minimum, a future time horizon of at least five years (as set out in the Strategic Planning Framework).

B.4 Internal control system

The Group has in existence an Internal Control Framework (ICF) which acts as a record of all controls in operation across the business. The framework is made up of a number of diverse mechanisms for mitigating and managing risks which may impact the business achieving its objectives. These mechanisms are segregated into three distinct functions:

- Control objectives - Control objectives help to establish the scope necessary to address a threat.
- Controls - The technical, administrative, or physical safeguards that exist to prevent, detect, or lessen the ability of a threat to exploit a vulnerability.
- Control activities - A formal method of doing something based on a series of actions conducted in a certain order or manner to meet an identified objective.

Governance of this Framework is demonstrated through monitoring, frequent reassessment, and validation of each identified mitigation mechanism as a business-as-usual activity undertaken by the First Line on a regular basis, and through Compliance Monitoring and the annual Risk and Control Self-Assessment process carried out at the Second Line.

The first line of defence is responsible for drafting and recording any relevant control documentation. This process is regarded as a BAU activity and completed on a regular basis, but no less than quarterly.

The Risk Function is responsible for maintaining a centralised record (the Composite Control Listing) of all internal controls; control documentation; and details of control assessments. Control assessments can significantly extend the reach and visibility of risk and compliance functions by providing a more intimate view of how a control interacts with the risk environment, its precision in relation to the targeted threat, and its overall effectiveness in threat mitigation.

These assessments play a critical role in how the overall Risk Management Framework provides protection to the Company's assets. Control assessments are conducted against how a control is designed and how effective a control operates. This dual assessment approach encourages a speedier identification process with respect to Framework gaps or the onset of control failures. Control assessments are completed as both BaU and through the more formalised evaluation process such as the RCSA and the ICFE. All assessments must be unbiased, up to date, complete (including adverse information) and timely delivered.

The outputs of these assessments must stream upwards in a timely fashion to enable management to make informed decisions. Similarly, management should communicate the informed decisions made as part of the overall embedment of an effective control environment to increase efficiency and the cohesive understanding of the Group's goals and visions. This process is imperative to understand their own role in the overall ecosystem, as well as how individual activities interact with each other. The correct execution of control assessments is therefore critical to maintaining the overall quality of the internal control ecosystem.

B.5 Internal audit function

The regulated firm within the Group is committed to ensuring that internal audit provides reasonable assurance to the Board that major business risks are being managed, and that the framework for risk management and internal control is operating effectively. Reflecting the scale of the business, the

Board considers that this can most effectively be achieved by outsourcing the IA function to an appropriately skilled and resourced partner selected via a tender process set by the Audit Committee. The function constitutes the ‘third line’ of defence by providing independent review, challenge, assurance, and validation of the effectiveness of the internal controls, as outlined in the Internal Audit Policy, which is reviewed annually.

The Internal Audit function is not responsible for establishing or maintaining internal controls, as this is the responsibility of the ‘first line’, however the effectiveness of the internal systems of control can be enhanced by the recommendations from Internal Audit reviews, which are set by way of thematic reviews conducted to a planned schedule and reported to the Audit Committees spread throughout the year. The annual audit plans are set accordance with outputs of the RCSA and ORSA processes and are subject to amendment driven by any material change effecting the business.

During 2022, the Internal Audit function was scheduled to complete various reviews which were put aside by strategic decision of the Audit Committee, and subsequentially the Board, due to the ongoing independent review. As this work has now completed. The 2023 Internal Audit Plan has been ratified by the Board and includes the following areas:

The 2023 Internal Audit Plan has been ratified by the Board and covers a wide number of important thematic areas that are considered key to the ongoing integration work.

B.6 Actuarial function

Reflecting the current scale of the business, the Board decided that the Group is best served by utilising the services of both an external actuarial firm as well as developing an in-house actuarial capability. This aids decision making and quality of management information as the skill set is increasingly embedded into the business. The Chief Actuary role is still fulfilled by a City Actuaries LLP (formerly OAC) senior actuary, as an external supplier. Specific City Actuaries LLP staff are allocated to AIUK, reflected within our Senior Managers and Certification Regime structure and the SMF 20.

B.7 Outsourcing

As part of AIUK’s business, certain functions are outsourced to third parties. The Group does not contract out any of its regulatory obligations and remains responsible for complying with these obligations. The Board is responsible for determining which business functions are to be outsourced; for setting the risk appetite in respect of outsourcing; and for delegating to suitable owners and relationship managers the management and control of those outsourced functions.

AIUK’s Chief Executive holds the prescribed responsibility for compliance with the Outsourcing part of the PRA rulebook. During 2022 -in consideration of planned expansion- it was proposed to delegate this responsibility to a dedicated Chief Operations Officer who would be accountable for AIUK’s operations, systems and technologies; as well as compliance with the outsourcing rules (thereby enhancing bandwidth and accountability in this area). In December 2022 such an appointment was made on the condition precedent of regulatory approval for the individual to discharge the relevant senior management function being received; which is expected in the first half of 2023.

As at year-end 2022, the main outsourced functions were:

- Internal audit; which is outsourced to Grant Thornton UK LLP.
- The chief actuarial function; which is outsourced to City Actuaries LLP.

- An actuarial support function; which is provided by Mazars LLP.
- Investment management; which is provided by Mercers LLC.
- Insurance distribution; which is outsourced to Warranty Services Ltd (a wholly-owned subsidiary).
- Claims management; which is outsourced to Warranty Services Ltd (a wholly-owned subsidiary).
- Intra-group employment and infrastructure management services; which are outsourced to Accelerant Services UK Ltd (a group company).

Each of the above service providers are domiciled in England and Wales; with the exception of Warranty Services Ltd, which is domiciled in Scotland.

B.8 Any other information

No further information to be reported.

C. Risk Profile

The Consolidated Risk Profile

The Consolidated Risk Profile is the quantitative analysis plus a lateral empirical qualitative analysis of the threats faced by the Firm. The benefit of using a Consolidated Risk Profile and a standard Risk Profile, which is the quantitative analysis only, when completing the ORSA Process, is that it allows recognition of the fact that not all risks in our environment can be modelled, and there will always be dependencies between the prudential and operational environments. This approach ensures the conclusions presented to the Board are not one-dimensional.

The Consolidated Risk Profile takes into consideration:

- The Strategic Planning Framework and identified strategic objectives for the planning period.
- The Corporate Governance Framework.
- The Risk Management and Risk Appetite Frameworks.
- Material Risks and the effectiveness of their applied responses.
- Current integration and transformation activities and the timing and effectiveness of their execution.
- The Accelerant culture; and
- Market conditions and the overall external environment.

The quantitative Risk Profile is reflected in the table below:

The Group

SCR – By Risk Category	**31 December 2022 (£)**	**31 December 2021 (£)**
Non-Life Underwriting risk	8,669,807	8,430,351
Market risk	1,623,404	1,128,875
Counterparty default risk	473,228	359,609
Diversification benefit	(1,303,398)	(948,467)
Basic Solvency Capital Requirement	**9,463,041**	**8,970,368**
Operational risk	435,246	392,773
LACDT	(1,404,099)	-
Solvency Capital Requirement	**8,494,188**	**9,363,141**

AIUK

SCR – By Risk Category	31 December 2022 (£)	31 December 2021 (£)
Non-Life Underwriting risk	8,669,807	8,430,351
Market risk	1,623,392	1,128,860
Counterparty default risk	439,436	354,627
Diversification benefit	(1,288,175)	(946,172)
Basic Solvency Capital Requirement	**9,444,460**	**8,967,666**
Operational risk	435,246	392,773
LACDT	(1,404,099)	-
Solvency Capital Requirement	**8,475,607**	**9,360,439**

Appetite and Sensitivity

The Risk appetite set by the Board defines how much risk the Group is willing and comfortable to take in the pursuit of its strategic objectives. The approved Risk Appetite Statements include several significant risks faced in its normal course of business. The Risk Appetite Statements are documented in the ORSA and in the wider Risk Management Framework and are reviewed by the Board to ensure that their defined appetite for risk is appropriately reflected and can therefore be relied upon to direct business operations.

The stress testing performed provides increased understanding of the potential significant changes to the Group's risk profile when key underlying components are shocked. This is in addition to the SCR capture of a 1 in 200-year event over a 1-year horizon at a 99.5% limit. While this is heavily assumptive, the outputs assist the Group in developing appropriate management actions aimed at effectively managing the potential impacts. More importantly though, the stress testing outputs are used to confirm the appropriateness of the Group's capital resources and to identify any required future management actions.

The Company fulfils its obligation to invest all its assets in accordance with the 'prudent person principle' by implementing an investment policy that sets out this concept and sets an investment appetite that prohibits any investment made out with this policy. In addition, AIUK works with professional independent Investment managers (Mercer's) to ensure this mandate is upheld. The governance of this is through the Asset and Liability Committee that requires the investment managers to provide an attestation to adherence to the prudent person principle on a regular basis.

Changes in the discount rates are assumed to be level across the yield curve and to persist for the duration of the projection. Due to the matching of the assets and liabilities, corresponding changes to asset values are not modelled but are estimated to have an immaterial impact on the solvency coverage when interest rates are assumed to rise by 0.5%pa and vice-versa on a 0.5%pa reduction .

A range of plausible and feasible stress tests have been considered and derived from the business strategy and key risks identified from the Group's risk management framework and ORSA process. Stress and scenario testing have been modelled, and additional scenarios and reverse stress testing undertaken.

The tests are chosen by assessing the risks that could have the most material financial impact to AIUK. They are selected using the 5x5 matrix of measurement of risk, based on likelihood and impact as detailed in the firms Risk Management Strategy and Risk Management Framework. This allows quantification of highest inherent risk scores prior to the implementation of controls or mitigating actions, which form the basis of the tests.

Quantitative and qualitative tests utilised during the process are referenced below:

ORSA Ref	Tier 2 Risk area	Test Area	Stress	Identified Material Risk
QUANTITATIVE TESTS				
1	Solvency Risk	Inflation Risk - Risk of increased cost of claims	Inflation rates of 20% for 1 year, 15% for 1 year, 10% for 1 year, then drop to 7.5% for 2 years	MR1 - Risk that a Group entity fails to effectively measure its capital requirements, and/or fails to maintain adequate capital resources.
	Inflation Risk			The risk that the prices of goods and services increase more than expected, including increases in the cost of claims payments as material and services related to paid claims increase.
2	Solvency Risk	Interest Rate & Inflation Risk - Risk that due to an increase in inflation, interest rates move adversely and impact solvency	Inflation rates of 20% for 1 year, 15% for 1 year, 10% for 1 year, then drop to 7.5% for 2 years and BOE interest rates have peaked at 6%	MR1 - Risk that a Group entity fails to effectively measure its capital requirements, and/or fails to maintain adequate capital resources.
	Inflation Risk			The risk that the prices of goods and services increase more than expected, including increases in the cost of claims payments as material and services related to paid claims increase.
	Interest Rate Risk			Risk that interest rates move adversely (either up or down) impacting on other areas of the business that would need to be recalibrated e.g. capital resources and capital requirement
3	Solvency Risk	Interest Rate & Inflation Risk -Risk that due to an increase in inflation, interest rates move adversely and impact solvency	Inflation rates of 20% for 1 year, 15% for 1 year, 10% for 1 year, then drop to 7.5% for 2 years and BOE interest rates have peaked at 4.5%	MR1 - Risk that a Group entity fails to effectively measure its capital requirements, and/or fails to maintain adequate capital resources.
	Inflation Risk			The risk that the prices of goods and services increase more than expected, including increases in the cost of claims payments as material and services related to paid claims increase.
	Interest Rate Risk			MR3 - Risk that interest rates move adversely (either up or down) impacting on other areas of the business that would need to be recalibrated e.g. capital resources and capital requirement
4	Reserving Risk	Risk of increase in Loss Ratios and best estimates negatively impact solvency	Increase of +10% and +20% in the Best Estimate % across all products i.e. Glazing would increase from 42% to 52% and 62%	MR7 - Risk that the Group fails to effectively measure its reserving requirements, and/or accelerated claims pay-out of legacy claims causes undue stress on reserving provisions, and renders the firm unable to meet their obligations
5	Reserving Risk	Risk of large spike in claims within one line of business	Increased claims amount of £750k in years 2 and 4 for Structural Warranty	MR7 - Risk that the Group fails to effectively measure its reserving requirements, and/or accelerated claims pay-out of legacy claims causes undue stress on reserving provisions, and renders the firm unable to meet their obligations
6	Strategic Execution Risk	Business Expansion Risk -The risk that the business' solvency position and systems and controls are not adequately enhanced to support the business transition, derailing both AIUK and Group objectives	The transfer of renewal rights from AIE to AIUK	MR13 - The risk that the business fails to achieve the projections and goals set out within the Business Plan, reducing income, profitability, and the viability of AIUK and the Group.
9	Strategic Execution Risk	Retention Risk - The risks that AIUK fails to retain 5 major schemes due to the shift from a wholesale to a retail market	Loss of 5 major direct schemes (Anglian, GBP, CGS, PWF, & Homepro)	MR13 - The risk that the business fails to achieve the projections and goals set out within the Business Plan, reducing income, profitability, and the viability of AIUK and the Group.
QUALITATIVE TESTS				
11	Climate Risk	Climate Risk - the risk that an increase in climate related natural catastrophes or extreme conditions, adversely impacts the firm's solvency, liquidity and ability to pay policyholders.	Outline immateriality assessment based on adopted Climate Risk FW methodology	The risk that rapid changes in climate adversely affect the underwiting portfolios, and the financial markets, resulting in increased or unexpected investment losses, changes to risks landscapes, and/or other unforeseen risks for which the business is not fully prepared.

The below outlines the material risk landscape as at 31-Dec-2022:

C.1 Solvency Risk

Solvency Risk is defined as the risk that the business cannot meet its financial obligations as they come due for full value even after disposal of its assets. The Capital Management appetite for the Group and AIUK is defined on a Solvency II Basis and maintains a minimum solvency capital ratio of 140% and 150%, respectively. The Group is exposed to a number of factors that affect its capital adequacy. The collection of all of these factors has the ability to detrimentally effect profit and subsequently reduce the amount of own funds available for capital resources.

At the end of Q2 2022, a further investment of £3.8m was deployed to restore the solvency coverage ratio to the Group Target Capital Ratio in line with the Accelerant Group Capitalisation Policy.

At year-end 2022, the Group held a 167% solvency coverage (2021: 129%), which was above Board approved risk appetite.

Any fluctuations to these ratios are monitored by the regularly by the Executive Committee, and the Board via Key Risk Indicators.

C.2 Insurance Risk

AIUK defines Insurance Risk as the risk of loss due to prices received in insurance premiums that are inadequate to cover the resulting claims payments. Insurance Risk also covers Pricing Risk and Reserving Risk.

The current appetite statements set by the Board in the pursuit of identified strategic objectives are as follows:

- There is no appetite for undertaking activities that are not aligned with the Board approved core strategy, and/or undertaking activities for which the Group does not currently hold the necessary skills and capabilities;
- The Group's insurance undertaking will only underwrite products within its core area of expertise, being low value insurance backed guarantees;
- Senior management approval must be sought for any new risks with a Contract Value in excess of £250,000 and Board approval must be sought for any new risks with a Contract Value in excess of £1m;
- The Group's insurance undertaking seeks to limit its term exposure to 10 years for new business and to limit its exposure for (new) non-ECO or Government led business for up to 10 years only. Board approval must be sought for any new risks outside of this tolerance;
- The Group's insurance undertaking will not write any (new) business outside the UK/Ireland without Board approval; and
- Any new reinsurance will require Board approval and any reinsurance placed must be with a minimum 'A-' rated insurer (rating assessed using rating agencies S&P and AM Best; the higher of which will be applied).

In order to maintain appropriately within risk appetite, AIUK ensures that a proportionate, robust underwriting function exist to demonstrate to the Board that major business risks associated with ongoing and new insurance risks that are being subjected to the risk management and mitigation tools used to monitor loss or adverse changes in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions, and monitored and maintained through adequate risk management, and internal control frameworks.

C.2.1 Pricing Risk

Pricing Risk is defined as the risk that premiums set cannot adequately cover the cost of probable claims. AIUK pricing risk exposure is deemed material due to the high ratio of investment funds in relation to annual premium, mostly driven by the long tail nature of the AIUK portfolio. AIUK manages the risk by ensuring it maintains a time-matched concentrated portfolio and utilises the resources of high calibre investment managers. The investment managers are provided with the appropriate mandate detailing AIUK's risk appetite and corresponding risk thresholds. The investment mandate is set to capital protection on a low-risk strategy.

For the small amount of property owned an external annual valuation, carried out by a RICS surveyor, is obtained, with management assessing the valuation for property in the intervening periods.

The Group and AIUK's sensitivity to a 10%/5% increase and decrease on market prices is as follows:

	Increase/(decrease) in own funds (capital)	Increase/(decrease) in own funds (capital)
	2022 (£'000)	**2021 (£'000)**
5% increase in movement in investment securities	1,386	607
5% decrease in movement in investment securities	(1,386)	(607)
10% increase in movement in investment securities	2,772	1,215
10% decrease in movement in investment securities	(2,772)	(1,215)

A 5% / 10% decrease to market prices creates a reverse effect of the above to the own funds. The Group's method for sensitivity to pricing risk management has not changed significantly over the financial year.

C.2.2 Reserve Risk

Reserve Risk is defined as the risk that the current reserves are insufficient to cover their run-off. AIUK carries out a number of stress tests on its reserves, the stress tests carried out provide understanding and output of significant analytical changes due to changes in the key deliverables. As this is heavily assumption based dependent on historical data, or estimations of stressed parameters, further scenario testing is carried out. These strategic scenarios allow a greater level of understanding of the risks surrounding potential alternative futures and how the company will manage these risks.

Some high-level sensitivity tests are set out below to demonstrate the impact on the Group and AIUK's Technical Profit and Loss account and Profit reserves in the event of a 10% increase on Net operating expenses and claims costs.

	Increase/(decrease) in own funds (capital)	Increase/(decrease) in own funds (capital)
	2022 (£'000)	**2021 (£'000)**
10% increase in incurred claims costs	(347)	(329)
10% increase in net operating expenses	(293)	(160)

A 10% decrease in both these cost lines creates a reverse effect of the above and increases the own funds capital.

The non-life underwriting risk allocation within the standard formula capital requirement pre-diversification is £8.67m for the Group and AIUK.

C.3 Market risk

Market risk is defined as the risk of losses on financial investments caused by adverse price movements. The market risk allocation within the standard formula capital requirement pre-diversification is £1.62m for the Group and AIUK. Market Risk includes, but is not limited to, the following categories:

C.3.1 Interest Rate Risk

Interest Rate Risk is defined as the risk of losses due to volatility in the term structure of interest rates or interest on assets and liabilities for which the net asset value is sensitive to changes. This applies to both real and nominal term structures. AIUK mitigates the impact of any rate change through a complex matching exercise calculated by the Chief Actuary, where discounted liabilities (based on the issued risk-free rate) are mapped by maturity to assets of the same characteristics. This matching allows the detriment of interest rate change to be mitigated. AIUK will review the portfolio, rebalancing it at approximately 6-monthly intervals.

The Company is exposed to interest rate risk from the investments it holds. The Company holds units within collective investment funds where the underlying assets are fixed rate securities. When interest rates rise, it is usual for the fixed rate securities to decline in value, a decline in interest rates will in general have the opposite effect. Changes in net asset value (NAV) of the fund will impact the Profit and Loss Account. Fair value gains and losses will be recognised per unit holding in line with the changes in the NAV of the fund.

The sensitivity analyses on the profit for the fiscal years below have been determined based on the exposure to interest rates movement of 2.0% and 0.5% increase or decrease. These parameters are set by management's assessments of the reasonably possible change in interest rates within an annual horizon.

The interest rate change impact on Bonds is calculated using the modified duration of bonds, being the market value cashflows timed to maturity. The fixed interest debtors are inherently not affected by a change in interest rates as they are held at amortised cost. Sensitivity analysis has been carried out on a full portfolio basis on holdings in collective investment undertakings.

2.0% / 0.5% increase to interest rate	**2.0% Increase/(decrease) in own funds (capital)**	**0.5% Increase/(decrease) in own funds (capital)**	**2.0% Increase/(decrease) in own funds (capital)**	**0.5% Increase/(decrease) in own funds (capital)**
	2022 (£'000)	**2022 (£'000)**	**2021 (£'000)**	**2021 (£'000)**
Bonds	-	-	(758)	(198)
Cash and cash equivalents	58	15	290	72

	Increase/(decrease) to collective investments 2022 (£'000)
-1%	482
-0.5%	238
0.5%	(236)
2%	(923)

The Group's method for sensitivity to interest rate fluctuations has not changed significantly over the fiscal years.

C.3.2 Investment Performance Risk

Investment Performance Risk is defined as the risk that the investment portfolio of AIUK materially depreciates in value due to a default or negative market. AIUK has appointed professional investment managers Mercer's to manage funds on a discretionary basis in line with its investment policy. Invested assets are held directly by AIUK and not in nominee. Performance of medium and long-term investments are measured against inflation and agreed market indices aiming for an appropriate return. The return of the short-term reserves is monitored against benchmark cash rates and the credit rating of the holding institutions. The level of capital volatility is monitored by the Asset and Liability Committee (ALC) to ensure the risk profile remains appropriate for AIUK. The ALC is responsible for monitoring and reviewing the assets of the business to ensure that assets are invested consistently with the time horizon of the future liabilities of the business, and to ensure that the Board is furnished with appropriate recommendations in respect of these matters. The shape of the liability tail is used to co-ordinate the asset classes, term, and liquidity to ensure appropriateness and the shape is set by the Chief Actuary (SMF 20). AIUK manages its own cash deposits matched to the actuarially assessed short term cash flow schedule. AIUK manages its own investment properties, inter-company loans, and any other investments not covered above.

C.3.3 Currency Risk

Currency Risk is defined as the risk of losses due to changes in the level or volatility of relevant currency exchange rates when there is a mismatch between the relevant currency of the assets and liabilities. The risk is applicable to AIUK as it undertakes certain claims transactions denominated in Euros for its smaller schemes that are in run off. As a result of this small exposure to exchange rate fluctuations arise. In order to reduce the exchange rate exposure, a 0.65m Euro is held within cash at bank as at December 2022.

C.3.4 Inflation Risk

Inflation Risk is defined as the risk that the prices of goods and services increase more than expected or inversely, drastically reducing purchasing power, or that the unexpected increase in the rate of inflation will undermine the real value of cash flows made from an investment. Inflation risk can also increase the cost of claims payments as material and services related to paid claims increase. This risk is heavily mitigated through the establishment of an in-house remediation company (The Remedial Company Limited) that undertakes the bulk of the repairs for the 10-year glazing IBG book, which is our most significant book. The also firm closely monitors the potential impact of inflation on claims costs through benchmarking, ongoing review of loss ratios and inflation assumptions, and associated early warning indicators.

Should the firm find itself in a position whereby early warning indicators suggest trending that claims costs may exceed forecasts, the Company would immediately look to realign the pricing strategy to mitigate the movements in inflation. Where experience shows Products to be unprofitable, they will be reviewed with respect to the underwriting terms and pricing and, if necessary, the action would be taken to cease writing the business. Furthermore, Inflation risk can adversely impact investment strategy. The investment portfolio comprises of high-quality bonds and gilts based on the requirements of the investment strategy to date. The current average duration is less than 3 years, which is in line with liabilities, however the current environment presents a risk that rapidly increasing inflation could result in a mismatch of the assets and liabilities which would have an adverse impact on the solvency capital requirement. In an instance where the firm experienced risk materialisation, there would be a realign of the investment strategy to allow for a withdrawal from fixed income investments to mitigate the movements in inflation.

C.3.5 Liquidity Risk

Liquidity Risk is defined as the risk that the company will not be able to meet short-term financial obligations due to the inability to convert assets into cash. Liquidity risk is defined as the risk of incurring losses due to an inability to meet payment obligations in a timely manner when they become due. The Group has short/medium and long-term cash requirements and balances the liquidity in its portfolio to match this. It manages liquidity risk through the following actions:

- The Group does not require a regular drawdown from investments, and accumulated income is reinvested.
- The Group monitors all planned spends beyond the cash flow needs of business as usual and operates a 5-year budgeting process to identify future spends and liquidity requirements.
- The Group is unlikely to need access to capital held within investments, as its' business-as-usual requirements are serviced via business-as-usual cash flow.
- In the event of The Group moving to a wind down situation then the liquidity of short-term assets and access to these would be required to be reviewed as the cash cycle from trading as a going concern would not be operating but this would form part of a run-off plan.

The Group holds liquidity to service requirements for a period no less than 12 months in ready access cash.

C.4 Credit risk

Credit risk is defined as the risk of a counterparty failing to meet their debt obligations. Credit Risk includes Counterparty Default Risk and Concentration Risk. The Group manages it credit risk through the following actions:

- The majority of the AIUK income is received through its 100% owned subsidiary who in turn collects most of its income by direct debit, which mitigates credit risk of customers. Payment sources of residual lines of income are diverse and don't form any material concentration areas. Therefore, credit and counterparty risks are centred upon the recoverability of current assets, and management of concentration risk of investments in line with good risk management and impact to capital requirement of SII SCR calculation.
- Ceasing all new loans and effectively managing the repayment plan for loans in situ, most of which are inter-company arrangements.
- Employee loans in exceptional circumstances are permitted under the discretionary agreement of the Executives, although the gross loan must be capped at the expected net pay amount of the individuals notice period, to negate credit risk.
- In addition to cash, the investment mandate provided to the investment managers permits only investment grade securities. The information is supplied by independent rating agencies where available and if not available, AIUK uses other publicly available financial information and its own trading records to provide a form of rating.
- All future investment decisions are considered under the Solvency II framework and the prudent person principle.

- Investments are time horizon matched in low volatility, appropriately liquid assets to match the expected liabilities both in value and time. The investment managers ensure the portfolio is spread across funds to minimise concentration risk adhering to the prudent person principle.

C.4.1 Counterparty Default Risk

The counterparty default risk reflects possible losses due to unexpected default of the counterparties and debtors. The scope of the counterparty default risk category includes risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives, and receivables from intermediaries. It does not include the defaults for financial instruments. The Group does not have any significant credit risk exposure beyond its subsidiary Warranty Services Limited to any single counterparty out with the UK government. The credit risk on liquid funds and financial instruments is limited through the high credit ratings assigned by international credit-rating agencies to the bank counterparties.

The average credit rating across our portfolio holding A+/A.

Reinsurance assets are reinsurers' share of claims paid. All reinsurers are minimum A- rating.

Loans and insurance receivables, and investment in subsidiaries generally do not have a credit rating.

The carrying value of assets are neither past due nor impaired.

The counterparty default risk allocation within the standard formula capital requirement pre-diversification for the Group is £473k (AIUK £439k).

C.4.2 Counterparty Concentration Risk

Counterparty concentration risk is the risk that has potential to arise due to large aggregate exposures to single counterparties, or an aggregate of exposures to a number of positively correlated counterparties (i.e., tendency to default under similar circumstances). At present, the Group does not have any significant Counterparty Concentration Risk exposure.

C.5 Operational risk

Operational risk is defined as the risk that a firm's internal practices, policies and systems are not adequate to prevent a loss being incurred, either because of market conditions or operational difficulties. The Group manages their operational risk through defined risk appetites and sound operational risk management practices, acknowledging that some level of operational risk is inherent in any business operation. The business, however, seeks to keep operational risk at the lowest degree possible through application of the governance, risk, and control frameworks, and associated resources. Executive management defines the operational risk appetite at a business unit and Company level.

C.5.1 Business Resilience Risk

Business resilience risk is the risk of not being able to respond to, recover from, and resume operations at acceptable levels of service to customers, clients, and counterparties through significant disruptions (can be related to third parties, cyber, disasters, suppliers, employees, etc.). The Group has implemented an Operational Resilience Framework to sit alongside and complement the existing Operational Risk Framework. The Operational Resilience Framework sets out the policies, process and Impact Tolerances that define the control environment designed to protect and sustain the Group's critical processes, people, and infrastructure in times of operational stress, pressure and disruption, and restore the critical functions of the business in as short a time frame as possible, meaning minimal disruption to business operations and the Group's customers.

C.5.2 Process Risk

Process risk is the risk losses due to failed processes or controls within the business. It is the probability of loss inherent in business processes that supports a business activity, which lacks both efficiency and effectiveness, which may then lead to financial, customer, and reputational loss. To define and subsequentially measure the effectiveness of operational processes and controls within the operating environment, the Group has in place an Internal Control Framework which sets out the policies and procedures in place to protect the integrity of assets and ensure operational and financial resilience of the Group. Alongside, and complimentary to, the Internal Control Framework, sits the Risk & Control Self-Assessment (RCSA) Framework. The RCSA Framework is designed to provide a current view of risks faced by AIUK and the adequacy and effectiveness of the mitigants in place to remain in line risk appetite.

C.5.3 Outsourcing Risk

Outsourcing Risk is the risk of a loss, due to the reliance of control of the third-party over major processes, key operations, functions, and knowledge that are critical to the business undertaking. SS2/21 came into effect in 03/2022 and has made a number of changes to the PRA's supervision of outsourced arrangements (including sub-outsourcing). Outsourcing is key to AIUK's objectives, not only in terms of insurance distribution but also in sourcing resource, expertise, and assurance. The Group recognises its increasing reliance on outsourcing arrangements and is currently in the process of implementing a Third-Party Risk Management (TPRM) Framework to replace the current Outsourcing Framework. The Framework sets out the enhance outsourcing strategy, 3rd party assessment criteria and due diligence procedures, expected standards of service, risk acceptance levels, the use of 4th parties, and normal and stressed exit strategies. The Framework also highlights the use of the automated assessment tool, LaunchPad which is integral in the oversight process. Please refer to Section B.7 for a list of the current material outsourcing arrangements.

The operational risk allocation within the standard formula capital requirement pre-diversification is £435k for the Group and AIUK.

C.6 Compliance Risk

Compliance risk can be defined as the risk of a loss or adverse effect due to lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to (negligence) carrying out its obligation in accordance with industry laws and regulations, internal policies or prescribed best practices. Equally relevant, Regulatory risk is the risk of a potential adverse effect due to changes or increases in the applicable laws and regulations in a country or region. The firm recognises that, given its growing reliance on outsourcing relationships for both current and future operations, there is the potential that an outsourcing partner could breach regulations resulting in reputational or financial issues. This includes any internal or external regulatory requirement/service standard for complaints which could lead to customer dissatisfaction and / or regulatory fine or censure, which in turn creates an increased focus to clearly demonstrate the firm's ability to meet expectations under SS2/21 and in compliance with the PRA Rulebook, 7.2. Whilst the firm currently has a process in place to oversee outsourcing arrangements, should the firm experience a decline in the service standard or quality of the outsourcing partners, there will be an immediate assessment of the impact of the breach (including quantifying the financial impact as well as any reputational/operational damages). The firm would subsequently look to support and oversee the remediation of the breach and, where necessary, exit the arrangement.

C.7 People Risk

People Risk is the risk of a loss or a potential adverse effect due to inability to acquire, develop and/or retain talent and build / maintain bench strength (including training, succession planning, remuneration, key man) to achieve planned objectives. In accordance with the requirements of the SM&CR, a handover policy was first adopted in September 2018. The policy requires that all individuals in the senior management layer and in the certification layer complete and update a handover document on a periodic basis. This document gives an account of the risks and issues they are presently dealing with; management information they are required to produce; regulatory correspondence they are involved in; committees they are participating in, etc. The purpose being to mitigate people risk by ensuring that, in the event of a handover of responsibilities (planned or unplanned, for example, due to incapacity) a successor would be positioned to perform their duties.

A succession planning policy was formalised in March 2019, which requires that succession risk assessments be performed on all individuals in the senior management layer and in the certification layer. The nominations committee uses this data to keep a succession plan up to date for the senior managers and to determine the skills, experience and training necessary to provide potential successors.

Further to the above, the Group has implemented various policies and Frameworks to address People Risk and create a happy, healthy and risk aware culture, such as the Diversity & inclusion Policy, The Home Working in Exceptional Circumstances Policy, and The Learning & Development Framework.

C.8 Change & Transformation Risk

Change & Transformation Risk is defined as the risk due to managing change (e.g., programmes and projects) or an inability to adapt quickly to Accelerant, industry and/or market changes and innovations. The firm has embarked upon a transition project to align with the Accelerant culture and way of working. The fast-paced environment brings to light adaptability and flexibility challenges as the firm tries to integrate Accelerant's operating models and frameworks while managing strategic change. Any lack of effective employee communication on changes within the Accelerant pipeline, which directly or indirectly impact the firm, could lead to loss of key personnel, employee absence due to burnout or other, or unhealthy disruption as employees try to manage the change process on their own. Each impact, either individually and collectively, could potentially cause an internal control breakdown resulting in financial or reputational loss. The firm utilises all Accelerant platforms, such as Town Hall Meetings and weekly staff calls, to ensure that there are active an open levels of communication between the firm and the rest of the Accelerant Group. Additionally, the firm CEO has initiated regular AIUK executive calls to ensure changes and challenges that might impact AIUK, operationally and from resource perspective, are communicated. Should the firm find themselves in a position whereby there is an adverse cultural shift due to the ineffective management of change, there will be an assessment of firm morale, by way of an anonymous employee survey to identify where the breakdown is occurring, and a shift in approach based on the outputs of that assessment.

C.9 Other material risks

C.9.1 Strategic Execution Risk

Strategic Execution risk is defined as the risk of losses due to strategic/business planning that relies on inappropriate assumptions. Failure to recognise changes in industry practices and legal, judicial, social, and other environmental conditions resulting in inappropriate business strategy might cause to experience adverse financial results. The Business Plan is put together with input from all business areas and is signed off by the Board. It sets out what the business sets to achieve in the year in terms of income/profitability, and the strategy for the year ahead based on these projections. Failure to achieve the projections and goals set out within the Business Plan is a key risk to the Group, potentially meaning reduced income and profitability, and inability to put into effect strategic business initiatives set out within the plan. Ultimately, failure to achieve the business plan impacts the viability of the Group, and therefore is a key risk to the business. It is of note that AIUK submitted a Regulatory Business Plan to the PRA/FCA in late December 2022.

C.9.2 Model Risk

Model risk is defined as the risk of losses or adverse volatility due to inapplicability of the selected model, incorrect model specification, inaccurate numerical approximations, programming errors, technical errors, data quality issues, data or calibration errors, and methodological miscalculations. If the assumptions, calculations, and methodologies used by the External Actuary are inappropriate, AIUK's solvency capital requirements could be misstated and this in turn could lead to an inadequate or inappropriate decisions being made by the Board based on misinformation. The firm has in place a Model Governance Policy which sets out the governance and control environment around Model Risk. Should the firm find itself in a position whereby it was determined the outputs of the model were inaccurate, there would be an immediate escalation process evoked and an assessment of the impact of the sub-optimal decisions on the Solvency Coverage Ratio. This would include determination of any need for additional capital to increase the Solvency Coverage Ratio to risk appetite, and a requirement to maintain the solvency position. Additionally, a review of the control environment relating to the solvency calculation tools would be imminent.

C.9.3 Emerging Risk

Emerging Risk is defined as the risk that the Group's financial resources, earnings stability, scheduled dividends, or ability to meet the commercial obligations are adversely impacted due to unforeseen or unrecognized events. This risk correlates to the recent collapse of Silicon Valley Bank, the significant decline in share price of Credit Suisse, and the imminent market response given the significance of each respective bank. We suspect there shall be economic shifts in response to recent events, however, the firm has nominal direct exposure and only expects there to be a minimal shift in our macro environment in line with market conditions. Emerging risk also includes the changes to building regulations which directly impact our market may have a detrimental impact on product demand and subsequentially, business operations. CPS conditions of authorisation are under review in order to ensure that robust protection can be delivered in practice, where a CPS permits a contractor to self-certify work. Consumer protection is at the centre of operational excellence and the Group continues to monitor this risk through open relationships with Competent Person Scheme providers, and with the Department of Levelling Up, Housing and Communities, and other related parties. Additionally, AIUK is in the process of implementing Climate Risk and ESG frameworks in line with regulatory expectations and in order to strengthen the emerging risk environment.

C.10 Any other information

No further information to be reported.

D. Valuation for Solvency Purposes

D.1 Assets

The tables below set out the valuation of each asset class for The Group and AIUK. All valuations are based on the The Group and AIUK year-end valuation of 31st December 2022.

The valuation method for SII purposes for the different asset types are described below. Where the valuation is different to the UK GAAP financial statements the difference in method is provided. Further information on the valuation of assets for UK GAAP financial statements can be found within both AIUK's and Accelerant Underwriting Holdings UK Ltd financial statements.

The Group

Asset Type 2022	*Assets per Solvency II*	*Variance*	*Assets per UK GAAP*
Property UK	250,000	-	250,000
Investment Securities	27,715,295	-	27,715,295
Cash and Cash Equivalents	2,951,313	-	2,951,313
Investments in Subsidiary Undertakings	1,744,277	(155,823)	1,900,100
Subsidiary Receivables	494,658	(36,723)	531,381
Insurance and Intermediary Receivables	719,009	-	719,009
Deferred Acquisition costs	-	(744,744)	744,744
Any other Assets not shown elsewhere	841,903	(20,255)	862,158
	34,716,455	**(957,545)**	**35,674,000**

AIUK

Asset Type 2022	*Assets per Solvency II*	*Variance*	*Assets per UK GAAP*
Property UK	250,000	-	250,000
Investment Securities	27,715,295	-	27,715,295
Cash and Cash Equivalents	2,915,605	-	2,915,605
Investments in Subsidiary Undertakings	1,744,177	(155,823)	1,900,000
Subsidiary Receivables	494,658	(36,723)	531,381
Insurance and Intermediary Receivables	719,009	-	719,009
Deferred Acquisition costs	-	(744,744)	744,744
Any other Assets not shown elsewhere	622,373	(20,256)	642,629
	34,461,117	**(957,546)**	**35,418,663**

Property UK

Land and buildings are valued for Solvency II purposes on the same basis as the annual Financial Statements, which follow UK GAAP. The property held at the balance sheet date was valued independently and reported on 22 December 2022 by DM Hall, Chartered Surveyors, it was prepared in accordance with RICS Valuation – Professional Standards in place at that time and was carried out in their capacity as External Valuers.

Investment securities

Our investments are valued for Solvency II purposes using the NAV which represents market price at 31 December 2022. The annual Financial Statements, which follow UK GAAP, are valued on the same basis.

As at 31st December 2022, the total value of The Group's financial investments was £27.7m.

	£
Collective investment undertakings	27,715,295
	27,715,295

The Company holds investments in three collective investment funds:

1. UK Cash;
2. Short duration gilts;
3. Short duration corporate bonds.

The average credit rating across our portfolio holding is AA-/A+. The investment mandate held by them is categorised as Low Risk and aims for capital protection alongside a modest yield.

Cash and cash equivalents

The Group holds £2,951,313 in cash deposits. The cash is held to meet any short-term liabilities and spread appropriately to limit counterparty and concentration risks.

Investment in subsidiary undertakings, including participations

The Group holds investments in subsidiaries for strategic purposes measured at current value cost in the annual Financial Statements. For Solvency II, in the absence of quoted market prices in active markets the related undertakings are valued using the adjusted equity method, as per Article 13(3), under Solvency II.

Subsidiary Receivables

The Group holds a loan due from its subsidiary. The Solvency II value of this is discounted using the EIOPA yield curve over the term of loan. The UKGAAP valuation is £37k higher than the SII valuation at 31st December 2022.

Insurance and intermediary Receivables

These balances relate to balances due from intermediaries relating to direct insurance operations. These are valued for Solvency II purposes on the same basis as the annual Financial Statements, which follow UK GAAP.

Deferred Acquisition Costs

The Group holds a deferred acquisition cost asset in relation to costs incurred while writing policies. These costs are recognised over the lifetime of the policy. Deferred acquisition costs are not recognised for SII valuation purposes.

Other assets

The remaining assets are valued on the same basis between Solvency II and the UK GAAP balance sheet apart from prepayments which are not recognised for SII valuation purposes and creates the difference between the two valuation methods.

D.2 Technical Provisions

Components of Technical Provisions

Technical Provisions represent the current cost of insurance liabilities at the balance sheet date. They are calculated on a discounted cash flow basis and include the following high-level components to be calculated separately:

- Best estimate of claims provisions being claims expected to be incurred at the balance sheet date
- Best estimate of premium provision being claims expected to be incurred after the balance sheet date on contracts incepted prior to that date
- Risk Margin representing the amount a third party would require in addition to the best estimate to assume liability, calculated on a cost of capital basis.

No significant simplifications of the calculation of Technical Provisions are used, and sources of uncertainty, magnitude and likelihood are explained under the different components.

Set out in the table below is a summary of the Solvency II and UK GAAP valuations of technical provisions split between best estimate and risk margin. The reconciling items between UK GAAP and Solvency II are included in the table on page 35.

The Group

31 December 2022	Liabilities per Solvency II	Liabilities per UK GAAP
Technical Provisions	14,508,187	23,106,698
Risk Margin	2,180,372	-
	16,688,559	**23,106,698**

The only material line of business that The Group writes is Miscellaneous Financial Loss and as such the table above covers this class in its entirety.

The reconciling items between UK GAAP and Solvency II are as follows:

	31 December 2022	31 December 2021
Liabilities per UK GAAP	**23,106,698**	**20,822,053**
Modelled premium data difference	(18,694)	189,877
Inflation of unearned premiums	2,798,009	2,280,846
Discounting of unearned premiums	(2,772,553)	(707,720)
Application of loss ratios	(10,436,875)	(11,475,092)
Management Expenses	863,942	731,054
Investment Expenses	460,597	747,862
Events Not In Data loading	507,063	503,555
Risk Margin	2,180,372	2,196,557
Liabilities per Solvency II	**16,688,559**	**15,288,992**

Gross claims cash flows and reinsurance recoveries

Our best estimate calculations have been completed on a deterministic basis as per the Directive.

Claims reserve
The current claims provisions have been developed over time to separate best and prudent elements. The claims provisions on a UK GAAP basis have been used as a starting point for the expected nominal value of the Solvency II future cash flow. We have also only included expenses which relate to the cost of handling existing business.

Projected cash flows are estimated by applying payment patterns to the estimate of gross claims and recoveries. These payment patterns have been calculated based on historic trends for each Solvency II line of business written on a term over one year. Given the relative short-term nature of the payment cycle of outstanding claims, the impact of discounting on our technical provisions is limited. In addition, the short tail nature of the actual claims cost results in low levels of uncertainty. This also applies to the magnitude and likelihood of this Technical Provision component not being accurate, as the period open to variable change is short.

Claims arising from the Structural Warranty book are the exception, where the company has seen significant delays in the investigations needed to support the processing of claims. Due to the low incidence of independent claims, there is a considerable level of uncertainty using any statistical techniques including the standard chain ladder technique used.

Premium reserve
Premium reserve replaces unearned premium reserve (UPR). Premium reserves are split between future claims element and future expense element. To determine the nominal amount of future claims we take the amount of the UPR for each cohort of business within the UK GAAP accounts and multiply it by the planned loss ratio for the current year. We have included in the amount for expenses which represent our estimate of the cost of handling the remaining element of this business. Sources of uncertainty within this calculation are driven from use of historic trending. Assumptions are used that the past experience will be replicated in the future. However, uncertainty is created if events of the past do not then occur in the future, and conversely, events not in past data, manifest in the future. This is countered by an additional calculation to recognise this. Events Not In Data ('ENID') is used to mitigate uncertainty driven by using past data. In addition to the ENID calculation, loss ratios are recalibrated every year, to ensure the most appropriate relevant data is used. The loss ratio data becomes more stable, as more years of data is added to the experience analysis. The recalibration every year reduces the magnitude of any uncertainty as well as the likelihood.

Discounting
Claims, premium and expense cash flows have been discounted using the EIOPA yield curve.

Risk Margin
To calculate the risk margin, we have estimated the SCR using the Standard Formula. We have then projected future SCRs using run off patterns of the unearned premiums. We have discounted and summed the projected SCR's and multiplied this by the cost of capital.

Data adjustments and recommendations
Overall, we consider that the Technical Provisions are prepared on a suitable basis, in line with the approach laid down in the legislation and sources of interpretation we have referred to. It is expected

that our approach will continue to develop from evolution of industry practice including guidance by the Regulator and our ongoing internal reviews.

Deferred Tax Liability

A deferred tax liability is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The method for calculation of deferred tax liability is consistent between the financial statements and the Solvency II basis of preparation.

As per the accounting basis, Solvency II recognises the deferred tax liability arising from the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Articles 75 to 86 of Directive 2009/138/EC and the values ascribed to assets and liabilities as recognised and valued for tax purposes. Deferred tax assets are offset against deferred tax liabilities where right to offset exists.

Any additional deferred tax liability arising from the differences between assets and liabilities which would result in tax timing differences under UK GAAP and Solvency II balance sheets follow the provisions of Article 15.

A deferred tax liability has been recognised by The Group of £1,404,099 (2021: £1,185,787) and by AIUK of £1,404,099 (2021:£1,188,178).

The value of the SCR is reduced to allow for the loss absorbing capacity of deferred tax (“LACDT”). This adjustment is calculated in accordance with Article 207 of the Regulation and is equal to the change in the value of deferred taxes that would result from an instantaneous loss amount that is equal to the Basic SCR plus operational risk.

D.3. Other liabilities

Set out in the table below are our other liabilities under Solvency II and UK GAAP. For Solvency II purposes, we have adopted the figures that appear in our UK GAAP financial statements for Other liabilities.

The Group

	Liabilities per Solvency II	Liabilities per UK GAAP
Creditors arising out of direct insurance operations	539,730	539,730
Other creditors including taxation and social welfare	556,538	556,538
Intercompany loan	802,530	802,530
Accruals and deferred income	559,532	559,532
Deferred tax liability	1,404,099	-
Total	**3,862,429**	**2,458,330**

AIUK

	Liabilities per Solvency II	Liabilities per UK GAAP
Creditors arising out of direct insurance operations	539,730	539,730
Other creditors including taxation and social welfare	562,222	562,222
Accruals and deferred income	521,177	521,177
Deferred tax liability	1,404,099	-
Total	**3,027,228**	**1,623,129**

D.4 Alternative methods for valuation

No alternative valuation methods are used by The Group, apart from the valuation of Investment in subsidiary undertakings, including participations, where Thr Group holds investments in subsidiaries for strategic purposes. The Solvency II value is lower than the UK GAAP carrying value as intangible assets held by the subsidiary are deducted from the Solvency II valuation.

D.5 Any other information

No further information to be reported.

E. Capital Management

E.1 Own funds

The Group is funded through share capital and retained earnings and maintains an efficient capital structure. Following the adoption of the Accelerant Group Capitalisation Policy, The Group and AIUK are required to maintain a target capital range of plus or minus ten percent of the Target Capital ratio of 140% and 150% respectively. Any Capital Deficit outside the Target Capital range is expected to trigger a capital contribution by the parent company or other measures to restore the capital position, subject to the approval of the parent company's Board of Directors. AIUK received a capital injection of £3.8m in June 2022 from the parent company to increase the solvency coverage ratio. The Group does not hold any other capital such as subordinated debt, preference shares or borrowings.

The Group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders and regulators;
- to retain financial flexibility by maintaining strong liquidity;
- to allocate capital efficiently to support growth; and
- to comply with quantitative requirements of Pillar 1 of the Solvency II Directive.

Capital Management is embedded within the Risk Management Framework as detailed in Section B3.

The Chief Financial Officer is responsible for the day-to-day monitoring of The Group and AIUK's capital position and monthly updates are provided to the Executive Committee, Board Risk Committee and the Board.

In addition, the ORSA, Medium Term Capital Management Plan (MTCMP) and detailed projections consider capital management over the planning period with no identified short comings. A range of stress and scenario testing has been undertaken and has not highlighted any deficiencies not already captured within the SCR(SF).

The Group Own Funds

At the 31st December 2022 The Group had total own funds of £14.16m. These are Tier 1.

The own funds supported the Solvency Capital Requirement of £8.49m resulting in a ratio of eligible funds to meet the SCR of 167% and a surplus of £5.67m.

The Group Own Funds	31 December 2022	31 December 2021
Own Funds – Tier 1	14,165,467	10,738,706
Own Funds – Tier 3	-	486,762
Total	**14,165,467**	**11,225,488**

The following table reconciles the differences (reconciliation reserve) between the equity in the financial statements and the excess of the assets over liabilities as calculated for solvency purposes:

Reconciliation of Basic Own Funds to Equity in UK GAAP Financial Statements	***31 December 2022 (£m)***	***31 December 2021 (£m)***
Total Equity in UK GAAP Financial Statements	**10.109**	**8.814**
Deduct items not recognised in Financial Statements		
1. Risk Margin	(2.18)	(2.197)
2. Difference between BEL and Technical Provisions	8.599	7.730
3. Movement in valuation of subsidiary	(0.156)	(1.146)
4. Difference between Prepayments	(0.017)	(0.047)
5. Deferred acquisition costs	(0.745)	(0.794)
6. Difference in investment securities	-	0.157
7. Deferred tax liability	(1.404)	(1.186)
8. Difference in Receivables	(0.041)	(0.106
Solvency II – Basic Own Funds	**14.165**	**11.225**

The differences in relation to the equity in the financial statements and the excess of the assets over liabilities as calculated for solvency purposes relates to the following eight adjustments:

1. The risk margin calculation is a SII calculation and is not recognised within the UK GAAP financial statements.
2. The difference between the Best Estimate of Liabilities and the UK GAAP financial statements relates to timing differences on revenue recognition. This difference is more pronounced in AIUK's comparison as the timing differences can be spread up to 25 years. The straight-line earning pattern in the financial statements does not match to the ultimate expected liability of the Solvency II valuation.
3. The Solvency II directive requires the Investment in subsidiary to be recognised using the adjusted equity method which is different to the UK GAAP financial Statement value which recognises the Investment at historical cost.
4. The Solvency II valuation of prepayments is to recognise cost at onset; however, UK GAAP financial reporting requires the cost to be incurred straight line over the term of the prepayment.
5. Deferred acquisition costs are not recognised for Solvency II valuation.
6. Following the move to Mercers LLC in 2022 there is no difference between The Solvency II valuation of Investment securities. In 2021 the difference was due to the SII valuation using mid-price and UK GAAP using bid-price
7. The deferred tax liability results from the difference between net assets (primarily Technical Provisions) between the UK GAAP and Solvency II balance sheets multiplied by the applicable tax rate
8. The Solvency II valuation of Investment securities includes Accrued Interest which is disclosed as a receivable within the UK GAAP financial statements.

Tangible assets are not recognised in the Solvency II valuation and are immaterial under UK GAAP.

None of The Group's own funds are subject to transitional arrangements and The Group has no ancillary own funds. No deductions are applied to own funds and there are no material restrictions affecting their availability. At 31 December 2021 the Tier 3 own funds based on deferred tax asset tied to profits made by the AIUK.

AIUK

At the 31st December 2022 AIUK had total own funds of £14.75m. These are all Tier 1.

The own funds supported the Solvency Capital Requirement of £8.48m resulting in a ratio of eligible funds to meet the SCR of 174% and a surplus of £6.27m. The Minimum Capital Requirement (MCR), a minimum level below which the amount of financial resources should not fall was £3.43m, resulting in a ratio of eligible funds to meet the MCR of 430%.

Tier 1 are arising from retained profits arising from past underwriting and investment surpluses. They are available to fully absorb losses on a going-concern basis, as well as in the case of winding-up, meeting all criteria of Article 94 of Directive 2009/138/EC to be classified as Tier 1 own funds. All AIUK's Tier 1 funds are unrestricted.

Tier 3 funds in 2021 are in relation to a deferred tax asset. This has arisen as a result of historic trading losses carried forward from prior years and can only be used against future profits. In 2022, no deferred tax asset has been recognises for the historic losses.

Own Funds	**31 December 2022**	**31 December 2021**
Own Funds – Tier 1	14,745,330	11,554,030
Own Funds – Tier 3	-	486,729
Total	**14,745,330**	**12,040,759**

Own Funds have increased over the year due a capital injection of £3.8m.

The following table reconciles the differences (reconciliation reserve) between the equity in the financial statements and the excess of the assets over liabilities as calculated for solvency purposes.

Reconciliation of Basic Own Funds to Equity in UK GAAP Financial Statements	***31 December 2022 (£m)***	***31 December 2021 (£m)***
Total Equity in UK GAAP Financial Statements	**10.689**	**9.622**
Deduct items not recognised in Financial Statements		
1. Risk Margin	(2.18)	(2.197)
2. Difference between BEL and Technical Provisions	8.599	7.730
3. Movement in valuation of subsidiary	(0.156)	(1.146)
4. Difference between Prepayments	(0.017)	(0.037)
5. Deferred acquisition costs	(0.745)	(0.794)
6. Difference in Investment Securities	-	0.157
7. Deferred Tax Liability	(1.404)	(1.188)
8. Difference in Receivables	(0.041)	(0.106)
Solvency II – Basic Own Funds	**14.745**	**12.041**

The differences in relation to the equity in the financial statements and the excess of the assets over liabilities as calculated for solvency purposes relates to the following ten adjustments:

1. The risk margin calculation is a SII calculation and is not recognised within the UK GAAP financial statements.
2. The difference between the Best Estimate of Liabilities and the UK GAAP financial statements relates to timing differences on revenue recognition. This difference is more pronounced in AIUK's comparison as the timing differences can be spread up to 25 years. The straight-line earning pattern in the financial statements does not match to the ultimate expected liability of the Solvency II valuation.
3. The Solvency II directive requires the Investment in subsidiary to be recognised using the adjusted equity method which is different to the UK GAAP financial Statement value which recognises the Investment at historical cost.
4. The Solvency II valuation of prepayments is to recognise cost at onset; however, UK GAAP financial reporting requires the cost to be incurred straight line over the term of the prepayment.
5. Deferred acquisition costs are not recognised for Solvency II valuation.
6. Investment securities are valued at mid-price UK GAAP uses bid-price.
7. The deferred tax liability results from the difference between net assets (primarily Technical Provisions) between the UK GAAP and Solvency II balance sheets multiplied by the applicable tax rate.
8. The Solvency II valuation of Investment securities includes Accrued Interest which is disclosed as a receivable within the UK GAAP financial statements.

Tangible assets are not recognised in the Solvency II valuation and are immaterial under UK GAAP.

None of AIUK's own funds are subject to transitional arrangements and AIUK has no ancillary own funds. No deductions are applied to own funds and there are no material restrictions affecting their availability. The Tier 3 own funds at 31 December 2021 were for deferred tax asset.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Group SCR is calculated on an accounting consolidation method. The Group applies the standard formula for the calculation of the Solvency Capital Requirement.

	31 December 2022 £m	**31 December 2021 £m**
AIUK SCR	8.476	9.360
AUHUK SCR	0.018	0.003
The Group SCR	**8.494**	**9.363**

The diversification benefit increases by £15k at The Group Level.

The Group

The Group's SCR is calculated by applying the Standard Formula method without use of any undertaking specific parameters (USPs). The Board and its external advisors have confirmed its appropriateness.

The calculation of the SCR under SF and the extensive interaction with external consultants to prepare and understand the drivers within the capital modelling process has highlighted two key drivers of the model kernel for AIUK, being Non-Life Underwriting Risk and Market Risk. A summary of the breakdown of the SCR at 31 December 2022 is shown below:

SCR – By Risk Category	**31 December 2022 (£m)**	**31 December 2021 (£m)**
Non-Life Underwriting risk	8,669,807	8,430,351
Market risk	1,623,404	1,128,875
Counterparty default risk	473,228	359,609
Diversification benefit	(1,303,398)	(948,467)
Basic Solvency Capital Requirement	9,463,041	8,970,368
Operational risk	435,246	392,773
LACDT Adjustment	(1,404,099)	-
Solvency Capital Requirement	**8,494,188**	**9,363,141**

The value of the SCR is reduced to allow for the loss absorbing capacity of deferred tax (“LACDT”). This adjustment is calculated in accordance with Article 207 of the Regulation and is equal to the change in the value of deferred taxes that would result from an instantaneous loss amount that is equal to the Basic SCR plus operational risk.

The Group minimum capital requirement (MCR) is equivalent to the AIUK MCR and is calculated as a linear function of a set or sub-set of the following variables: AIUK’s technical provisions, written premiums, capital at risk, deferred tax, and administrative expenses.

AIUK

AIUK’s SCR is calculated by applying the Standard Formula method without use of any undertaking specific parameters (USPs). The Board and its external advisors have confirmed its appropriateness.

The calculation of the SCR under SF and the extensive interaction with external consultants to prepare and understand the drivers within the capital modelling process has highlighted two key drivers of the model kernel for AIUK, being Non-Life Underwriting Risk and Market Risk. A summary of the breakdown of the SCR at 31 December 2022 is shown below:

SCR – By Risk Category	**31 December 2022 (£m)**	**31 December 2021 (£m)**
Non-Life Underwriting risk	8,669,807	8,430,351
Market risk	1,623,392	1,128,860
Counterparty default risk	439,436	354,627
Diversification benefit	(1,288,175)	(946,172)
Basic Solvency Capital Requirement	9,444,460	8,967,666
Operational risk	435,246	392,773
LACDT	(1,404,099)	-
Solvency Capital Requirement	**8,475,607**	**9,360,439**

The value of the SCR is reduced to allow for the loss absorbing capacity of deferred tax (“LACDT”). This adjustment is calculated in accordance with Article 207 of the Regulation and is equal to the change in the value of deferred taxes that would result from an instantaneous loss amount that is equal to the Basic SCR plus operational risk.

The minimum capital requirement (MCR) is calculated as a linear function of a set or sub-set of the following variables: AIUK's technical provisions, written premiums, capital at risk, deferred tax, and administrative expenses. The variables are measured net of reinsurance.

The overall MCR calculation outputs for current and prior years are shown below.

Overall MCR Calculation	**31 December 2022 (£m)**	**31 December 2021 (£m)**
Linear MCR	2,695,325	2,973,336
SCR	8,475,607	9,360,439
MCR Cap	3,814,023	4,212,198
MCR Floor	2,118,902	2.340,110
Combined MCR	2,695,325	2,973,336
Absolute floor of the MCR	2,325,105	2,112,250
Minimal Capital Requirement	**2,695,325**	**2,973,336**

The decrease in the MCR is due the SCR reducing to allow for the loss absorbing capacity of deferred tax ("LACDT").

The SCR at 31st December 2022 is calculated to be £8,475,607.

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

The duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement is not applicable for The Group, nor AIUK.

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

The Group, nor AIUK does not use nor has any short-term intention of using an internal model therefore no differences exist.

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

During the full reporting period The Group was compliant with its MCR and SCR.

E.6 Any other information

We have set out to fully comply with the Standard Formula calculation of MCR and SCR and are not aware of any non-compliance. There is a risk within areas of interpretation as to the methodologies and procedures in arriving at these outputs. The Board utilises the expertise of its internal and external advisors to ensure that industry benchmarking, shared knowledge, procedures, and learnings help to mitigate this. To date we have not identified any area where these uncertainties are likely to lead to a material misstatement of our capital requirements.

Appendix i: Directors' statement in respect of the SFCR

We acknowledge our responsibility for preparing the group SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, the group has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the group; and

b) it is reasonable to believe that the group has continued so to comply subsequently and will continue so to comply in future.

On behalf of the Board

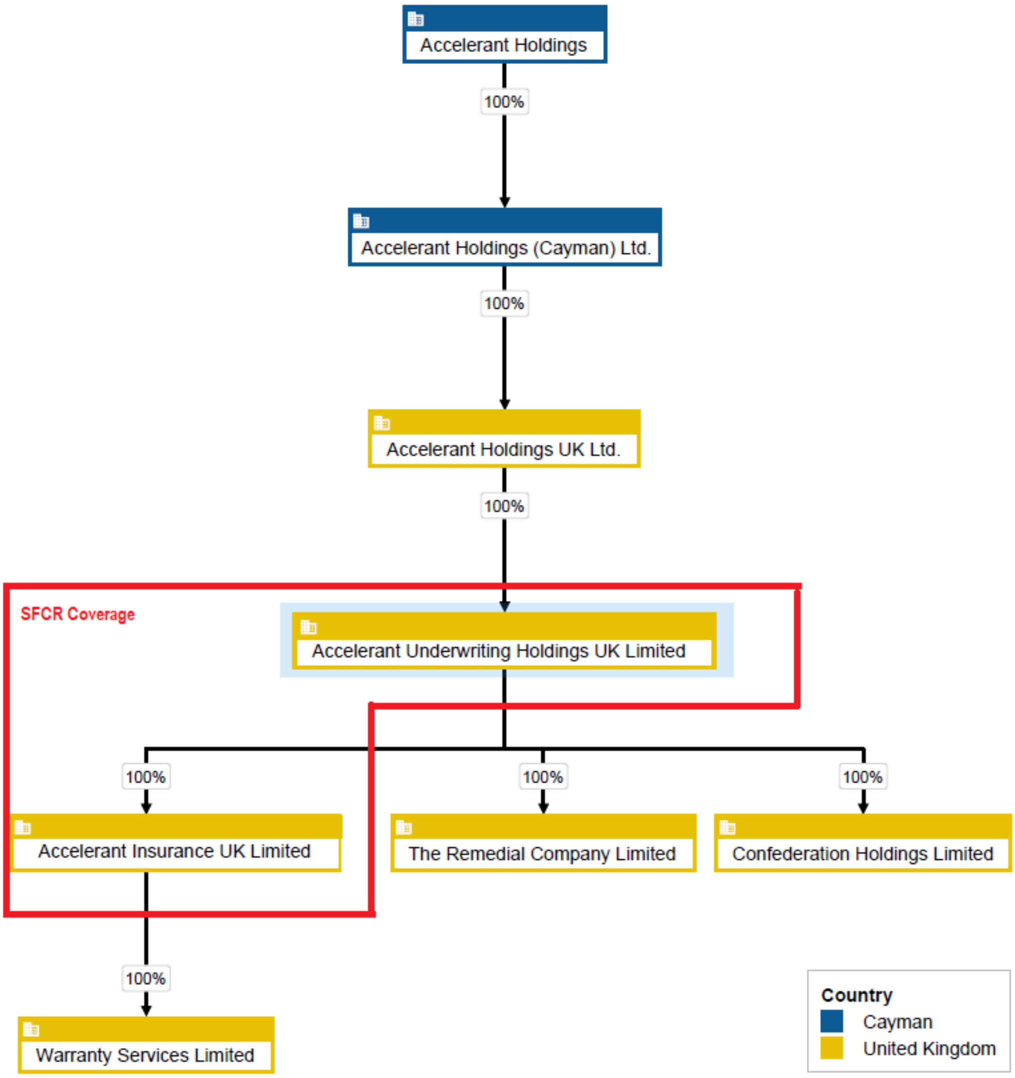
C R Cunningham
C R Cunningham (Apr 4, 2023 12:39 GMT+1)

Richard Cunningham

Chief Financial Officer

Date: 04.04.2023

Appendix ii: Group Structure Simplified



Appendix iii: Quantitative Reporting Templates

Accelerant Insurance Limited UK

Solvency and Financial Condition Report

Disclosures

31 December

2022

(Monetary amounts in GBP thousands)

General information

Participating undertaking name	Accelerant Insurance Limited UK
Group identification code	213800X5UHKV2UWAE715
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	29,710
R0080	*Property (other than for own use)*	250
R0090	*Holdings in related undertakings, including participations*	1,744
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	27,715
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	495
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	495
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	719
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	842
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	2,951
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	34,716

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	16,689
R0520	*Technical provisions - non-life (excluding health)*	16,689
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	14,508
R0550	*Risk margin*	2,180
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	1,404
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	540
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	1,919
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	20,551
R1000	**Excess of assets over liabilities**	14,165

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	**Income protection insurance**	**Workers' compensation insurance**	**Motor vehicle liability insurance**	**Other motor insurance**	**Marine, aviation and transport insurance**	**Fire and other damage to property insurance**	**General liability insurance**	**Credit and suretyship insurance**	**Legal expenses insurance**	**Assistance**	**Misc. financial loss**	**Health**	**Casualty**	**Marine, aviation and transport**	**Property**	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business												5,995					5,995
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share																	0
R0200	Net							0					5,995					5,995
	Premiums earned																	
R0210	Gross - Direct Business							172					4,310					4,482
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share																	0
R0300	Net							172					4,310					4,482
	Claims incurred																	
R0310	Gross - Direct Business							109					3,350					3,459
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share																	0
R0400	Net							109					3,350					3,459
	Changes in other technical provisions																	
R0410	Gross - Direct Business							-172					1,658					1,487
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net							-172					1,658					1,487
R0550	**Expenses incurred**							0					3,020					3,020
R1200	**Other expenses**																	
R1300	**Total expenses**																	3,020

S.05.02.01

Premiums, claims and expenses by country

Non-life

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	5,995						5,995
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	5,995						5,995
	Premiums earned							
R0210	Gross - Direct Business	4,482						4,482
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	4,482						4,482
	Claims incurred							
R0310	Gross - Direct Business	3,459						3,459
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share							0
R0400	Net	3,459						3,459
	Changes in other technical provisions							
R0410	Gross - Direct Business	1,487						1,487
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	1,487						1,487
R0550	**Expenses incurred**	3,020						3,020
R1200	**Other expenses**							
R1300	**Total expenses**							3,020

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	9,000	9,000		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	5,165	5,165			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	0				0
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	14,165	14,165	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	14,165	14,165	0	0	0
R0530	Total available own funds to meet the minimum consolidated group SCR	14,165	14,165	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	14,165	14,165	0	0	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	14,165	14,165	0	0	
R0610	**Minimum consolidated Group SCR**	8,494				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	166.77%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	14,165	14,165	0	0	0
R0680	**Group SCR**	8,494				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	166.77%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	14,165
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	9,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	5,165
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	1,623		
R0020	Counterparty default risk	473		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	8,670		
R0060	Diversification	-1,303		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	9,463		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	435
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-1,404
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	8,494
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	8,494
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	8,494
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	8,494

USP Key

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

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

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk

S.32.01.22

Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	213800X5UHKV2UWAE715	LEI	Accelerant Insurance UK Ltd	Non life insurance undertaking	Companies limited by shares	Non-mutual	Prudential Regulatory Authority
2	GB	213800X5UHKV2UWAE715GB00100	Specific code	Accelerant Underwriting Holdings UK Limited	:e holding company as defined in Article 212(1) (f) of Directive 2009	Companies limited by shares	Non-mutual	Prudential Regulatory Authority
3	GB	213800X5UHKV2UWAE715GB99999	Specific code	Millburn Insurance Company Ltd	Life insurance undertaking	Companies limited by shares	Non-mutual	Prudential Regulatory Authority
4	GB	213800X5UHKV2UWAE715GB00010	Specific code	Warranty Services Limited	Other	Companies limited by shares	Non-mutual	Prudential Regulatory Authority
5	GB	213800X5UHKV2UWAE715GB00140	Specific code	Confederation Holdings Limited	Other	Companies limited by shares	Non-mutual	Prudential Regulatory Authority
6	GB	213800X5UHKV2UWAE715GB00150	Specific code	Remedial Company Limited	Other	Companies limited by shares	Non-mutual	Prudential Regulatory Authority

S.32.01.22

Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Criteria of influence: % capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: YES/NO	Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800X5UHKV2UWAE715	LEI	Accelerant Insurance UK Ltd	100.00%	100.00%	100.00%		Dominant		Included in the scope		Method 1: Full consolidation
2	GB	213800X5UHKV2UWAE715GB00100	Specific code	Accelerant Underwriting Holdings UK Limited							Included in the scope		Method 1: Full consolidation
3	GB	213800X5UHKV2UWAE715GB99999	Specific code	Millburn Insurance Company Ltd	100.00%	100.00%	100.00%		Significant		Not included in the scope (art. 214 b)	2015-12-15	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
4	GB	213800X5UHKV2UWAE715GB00010	Specific code	Warranty Services Limited	100.00%	100.00%	100.00%		Significant		Not included in the scope (art. 214 b)	2021-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
5	GB	213800X5UHKV2UWAE715GB00140	Specific code	Confederation Holdings Limited	100.00%	100.00%	100.00%		Significant		Not included in the scope (art. 214 b)	2021-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
6	GB	213800X5UHKV2UWAE715GB00150	Specific code	Remedial Company Limited	100.00%	100.00%	100.00%		Significant		Not included in the scope (art. 214 b)	2021-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC

Final SFCR v01.0 unsigned

Final Audit Report 2023-04-04

Created:	2023-04-04
By:	Sharon Maclean (sharon.maclean@accelins.com)
Status:	Signed
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