Accelerant Insurance UK Limited

Solvency Financial Conditions Report (Group SFCR) 2023

Contents

Summary

The regulatory Group for Solvency II (SII) purposes comprises of Accelerant Underwriting Holdings UK Ltd (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 2023, the following changes were made to AIUK's portfolio of SFM managers:

- Richard Cunningham was appointed as Executive Director and Chief Finance Officer. Approval was granted on 25 January 2023.
- Keith Jackson was appointed as a Non-Executive Director and Chair of the Risk Committee. Approval was granted on 15 February 2023.
- Maunika Caines was appointed as Chief Risk Officer. Approval was granted on 09 August 2023.
- Mariyam Ahmed was appointed as Chief Operations Officer. Approval was granted on 05 June 2023.
- Nick Brown was appointed as Chief Underwriter. Approval was granted on 14 April 2023.
- Jack Buckley was appointed as Chief Actuary. Approval was granted on 18 April 2023.
- Chelsea Perkins was appointed as Head of Claims. Approval was granted on 04 October 2023.
- Chris Lee-Smith was appointed as Head of Distribution. Approval was granted on 15 May 2023.
- Steven Clark resigned as a Director of AIUK on the 25 January 2023.

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
	2023(£m)	2022 (£m)
Gross Written Premium	6.22	6.00
Technical Provisions	28.07	23.11
Movement in UPR	(2.18)	(1.51)
Claims Paid and Incurred	5.78	3.46
Operating Expenses	2.9	2.93
Expenses as a % of Premium	45%	49%

Following a variation of permissions ("VOP") application submitted at the end of 2022, AIUK's Part 4 permissions were expanded in order that it may effect contracts of insurance in a number of additional categories as detailed in section A1.

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 Management Committee
- The Reserving Committee
- The Group 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 2023. Quantitative Reporting Templates ("QRTs") have been submitted to the PRA for all quarters in 2023. All submissions were made before the last submission dates.

Solvency Capital Requirement

The Group

At the 31st of December 2023, The Group had total Own Funds of £14.66m (31st December 2022: £14.16m). These are Tier 1 as at 31 December 2023.

The Own Funds supported the Solvency Capital Requirement of £10.22m resulting in a ratio of eligible funds to achieve a solvency coverage ratio of 143% and a surplus of £4.44m.

AIUK

At the 31st of December 2023, AIUK had total Own Funds of £15.32m (31st December 2022: £14.75m). These are Tier 1 as at 31 December 2023.

The Own Funds supported the Solvency Capital Requirement of £10.22m resulting in a ratio of eligible funds to achieve a solvency coverage ratio of 150% and a surplus of £5.10m. The Minimum Capital Requirement (MCR), a minimum level below which the amount of financial resources should not fall was £4.91m, resulting in a ratio of eligible funds to meet the MCR of 357%.

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 Group was compliant with its MCR and SCR.

A. Business and Performance

A.1 Group Overview

Accelerant Underwriting Holdings UK Ltd is a UK-based insurance holding company. The regulatory Group for Solvency II (SII) purposes comprises the aforementioned entity (hereafter referred to as AUHUKL) and Accelerant Insurance UK 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. Until September 2023, AIUK's Part 4 permissions permitted it to effect contracts of insurance in the following categories only:

- Fire and Natural Forces
- Damage to Property
- Miscellaneous Financial Loss

Through all of 2023, premium was written within the UK under Miscellaneous Financial Loss.

Following a variation of permissions ("VOP") application submitted at the end of 2022, AIUK's Part 4 permissions were expanded in order that it may effect contracts of insurance in the following additional categories:

- Accident
- Assistance
- Credit
- General liability
- Goods in transit
- Land Vehicles
- Legal expenses
- Motor vehicle liability
- Sickness
- Suretyship

Auditors

The external independent auditor for the annual report for the year ending 31st December 2023 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

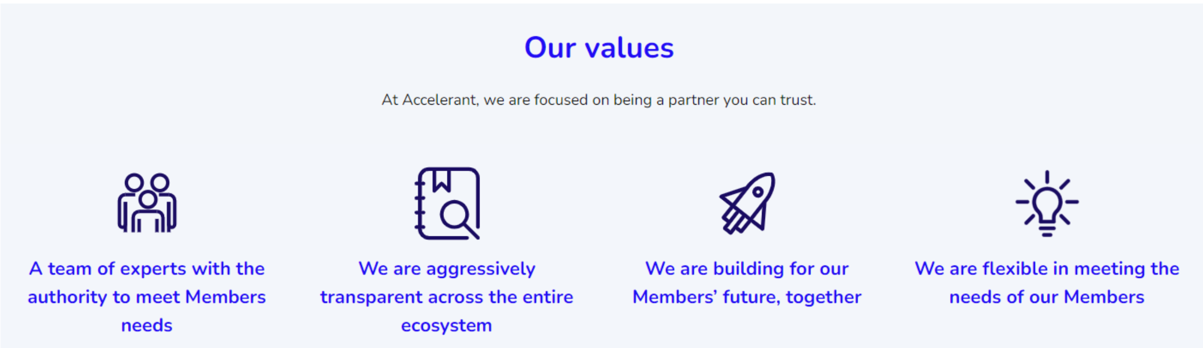
A.2 Business Summary

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 2023 AIUK continued to focus principally on these core markets and products. These products were intermediated and sold on behalf of AIUK by 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.

WSL was a wholly owned subsidiary of AIUK until 29/12/2023; upon which, its ownership was transferred to the distribution holding company within the Accelerant group.

The 2023 year was a transitionary one; as AIUK continued to underwrite this book of business, whilst undertaking preparatory works to transition to writing a more diverse portfolio of general insurance business (see the section headed "insurance business").

Our values



A.3 Underwriting Performance

Gross Written Premium (GWP)

During the course of the year, AIUK's written premium income was £6.22m which is marginally higher than the prior year of £6.0m mainly due to strong performance in the core products. The strategic policy of AIUK remained largely unchanged in 2023, with continued focus on reducing non-core legacy claims costs, and to focus growth on the core products of Insurance Backed Guarantees. All of the premium was written within the UK under class 16 Miscellaneous Financial Loss.

In 2023 all products underwritten by AIUK for the 2023 financial year were IBGs.

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 with costs in line with 2023 as following 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**
	2023(£m)	2022 (£m)
Gross Written Premium	6.22	6.00
Technical Provisions	28.07	23.11
Movement in UPR	(2.18)	(1.51)
Claims Paid and Incurred	5.78	3.46
Operating Expenses	2.81	2.93
Expenses as a % of Premium	45%	49%

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. The funds have been held with Mercers LLC throughout 2023.

AIUK had no investments or equities in securitisations during the period. The tables below summarise the investment performance during 2023 and 2022.

Investment Performance 2023 (£)	*Net Investment Income*	*Net Investment Expense*	*Net Realised Gains and Losses*	*Changes in fair value*	*Revaluation of Property*	*Net Investment Result*
Managed Funds						
Collective investment undertakings		65,859	1,153,503			1,219,362
Loans and Receivables	4,734					4,734
Investment in Subsidiary						
Cash and Cash Equivalents	34,282					34,282
Investment Property	1,387				10,000	11,387
Other Investment Income	2					2
	40,405	**65,859**	**1,153,503**		**10.000**	**1,269,767**

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)
tive 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)**

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 2023, 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 operated an auto-enrolment employment pension scheme via Royal London for its employees (including its Senior Managers) until April 2023 as the employees employment was moved to the Accelerant Services UK Ltd.

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.

Management Committee

The Management Committee has been established to assist senior management in discharging their duties and responsibilities in relation to the prudent management and oversight of the AIUK’s day-to-day activities in areas including strategy and objectives, risk management, supervision of MGA arrangements, performance and organisational structure and operations.

Reserving Committee

The Reserving Committee considers matters in relation to key reserving judgements and assumptions prior to being presented to the Board.

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 2023, the following changes were made to AIUK's portfolio of SMF managers:

- Richard Cunningham was appointed as Executive Director and Chief Finance Officer. Approval was granted on 25 January 2023.
- Keith Jackson was appointed as a Non-Executive Director and Chair of the Risk Committee. Approval was granted on 15 February 2023.
- Maunika Caines was appointed as Chief Risk Officer. Approval was granted on 09 August 2023.
- Mariyam Ahmed was appointed as Chief Operations Officer. Approval was granted on 05 June 2023.
- Nick Brown was appointed as Chief Underwriter. Approval was granted on 14 April 2023.
- Jack Buckley was appointed as Chief Actuary. Approval was granted on 18 April 2023.
- Chelsea Perkins was appointed as Head of Claims. Approval was granted on 04 October 2023.
- Chris Lee-Smith was appointed as Head of Distribution. Approval was granted on 15 May 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. To this end, AIUK is committed to maintaining at least two Independent Non-Executive Directors. At present, AIUK has three Independent Non-Executive Directors. 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 Management Committee and other forums in which their expertise and input is required.

AIUK continually assesses the competence of its certification staff.

Appropriateness of Arrangements

The current governance arrangements were appraised as part of a Board effectiveness self-assessment undertaken during 2023.

As part of this, a board effectiveness questionnaire was issued to various individuals involved in the work of the Board. The questionnaire set out 48 propositions in total, split into 9 distinct categories. The respondents were asked to grade each proposition on a 1-5 scale, with 1 being the least agreeable and 5 being the most agreeable. A comments section was provided alongside each proposition in order to allow respondents to express any particular views that they may have had.

A report on the results was then produced by the Head of Compliance: The role of the Chair; the relationships between the Executives and Non-Executives; the level of independent challenge; and the Board's capacity to decide on matters escalated to it were areas which received particular praise by the respondents.

As follow-on from the assessment; the Board agreed that self-assessment shall be undertaken annually as part of the scheduled work of the Board; but every third year, the assessment shall be facilitated by an external provider (with the first such externally facilitated assessment being undertaken in 2024, subject to the selection of an appropriate provider).

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. These declarations may be 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

A skills gap analysis is retained for senior managers; identifying thematic areas relevant to their responsibilities, and rating their competencies in these areas as considerable; moderate; or limited. This then informs training & development actions required to bring the senior managers to the required standards.

After having been engaged in 2022 to provide Solvency II training to AIUK's Senior Managers; Mazars LLP delivered a programme of training sessions through 2023 in order to ensure that AIUK's senior managers are well-versed in the three Solvency II pillars.

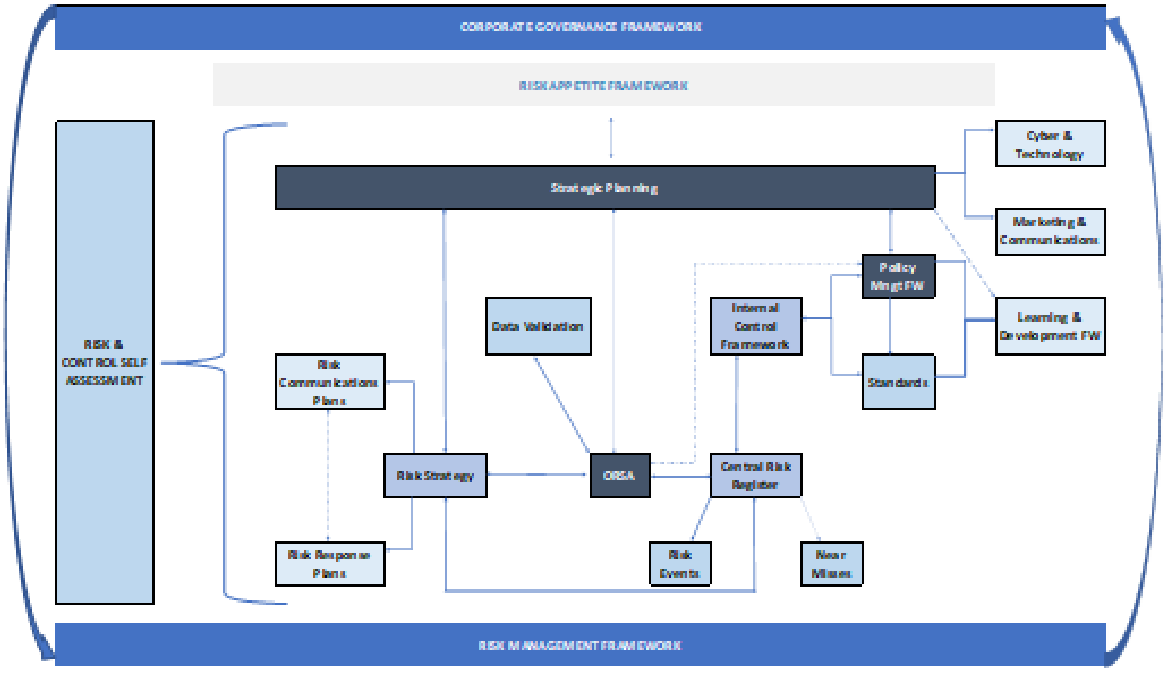
In accordance with the IDD, all employees are required to undertake at least 15 hours of insurance CPD per year. To meet this objective, AIUK avails itself of CBT modules from Skillcast. These comprise of a number of E-learning modules on essential regulatory thematic areas such as the individual conduct 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 2023, the syllabus also included a module on diversity, equity & inclusion.

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 SII 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 SII Group identifies risks at the level of the sole insurance carrier within the Group. 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 Firm 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 Firm 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 Firm;
- Minimise any adverse financial impact of risk materialisation;

- Ensure appropriate protection for policyholders;
- Ensure the Firm can meet its legislative, regulatory, and (internal & 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 Firm'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 Firm's risk strategy to its objectives and embeds itself in the decision-making processes that have a significant influence on the firm's 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. 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 Firm also has in place a robust Risk Appetite Framework which identifies three key pillar high level risk appetite - Business Model Sustainability, Capital & 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 & 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 & 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 Firm’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 2023, the Internal Audit function completed various reviews in line with the strategic direction of the Firm and integration activities aligned to the new Accelerant business model. AIUK currently has no unresolved findings for the said period.

Given the centralised operating model; copies of Internal Audits for group entities are also circulated for reference; on the basis of their relevance to AIUK's own environment.

The 2024 Internal Audit Plan has been ratified by the Board will cover a wide number of thematic areas that are considered key to the ongoing success of the firm. These areas are:

1. Reserving
2. Policy and Internal Control Framework
3. Consumer Duty
4. Solvency II Control Framework
5. Underwriting and Portfolio Management
6. Bordereaux Management, Processing and Data Quality
7. Operational Resilience and DORA
8. Technology Infrastructure and Cloud Computing

B.6 Actuarial function

The Actuarial function, led by the Chief Actuary, is primarily responsible for the independent guidance on issues that are material to the financial condition of AIUK. The function uses statistical and analytical assessment of AIUK's financial data, supporting the business and the Board, in making informed decisions when setting risk appetites and tolerances in relation to pricing, reserving, risk management, reinsurance, capital management and investment strategy, and regulatory requirements. The function consists of both first- and second-line responsibilities and is outsourced to Accelerant Services UK Ltd.

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 Operations Officer holds the prescribed responsibility for compliance with the Outsourcing part of the PRA rulebook.

As at year-end 2023, the main outsourced functions were:

- Internal audit; which is outsourced to Grant Thornton UK 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.
- Claims management; which is outsourced to Warranty Services Ltd.
- Intra-group employment and infrastructure management services (including the Chief Actuarial function); which are outsourced to Accelerant Services UK Ltd (a company within the Accelerant group).

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

In 2023 the Board agreed that AIUK would enter into a Master Coverholder agreement with the UK Branch of Accelerant Agency Ltd (an insurance distribution firm within the Accelerant group, and domiciled in the Republic of Ireland) in 2024. The agreement shall replace the existing insurance distribution agreement between AIUK and Warranty Services Ltd (who shall continue to place business with AIUK via Accelerant Agency Ltd as an intermediary).

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.

Historically, the Firm has provided analysis of both the Group and Solo Consolidated Risk Profile. However, given the nominal movement of the ratios and the symmetrical application of the RMF, the Firm has determined that the calculations and Risks analysis presented for the Group are appropriate at both the Group and Solo level.

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 2023 (£)	31 December 2022 (£)
Health Underwriting risk	2,143	
Non-Life Underwriting risk	10,860,142	8,669,807
Market risk	642,840	1,623,404
Counterparty default risk	634,337	473,228
Diversification benefit	(766,545)	(1,303,398)
Basic Solvency Capital Requirement	**11,372,916**	**9,463,041**
Operational risk	569,881	435,246
LACDT	(1,726,568)	(1,404,099)
Solvency Capital Requirement	**10,216,230**	**8,494,188**

AIUK

SCR – By Risk Category	31 December 2023 (£)	31 December 2022 (£)
Health Underwriting risk	2,143	
Non-Life Underwriting risk	10,860,142	8,669,807
Market risk	642,840	1,623,392
Counterparty default risk	634,337	439,436
Diversification benefit	(766,545)	(1,288,175)
Basic Solvency Capital Requirement	**11,372,916**	**9,444,460**
Operational risk	569,881	435,246
LACDT	(1,726,568)	(1,404,099)
Solvency Capital Requirement	**10,216,230**	**8,475,607**

Note: The Group and AIUK SCRs are the same as the impact of incorporating the Group assets is immaterial.

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 Firm 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 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.

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.

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.

For the reporting period, the firm ran nine Stress and Scenario tests to help identify risk factors with the biggest impact to the capital and solvency position and aid in the Firm's decision making. The tests show that premium volume, loss ratios and large losses are the key drivers of capital requirements, emphasising the importance of tailored responses to specific stressors.

The results highlight the Firm's resilience to specific shocks, such as reduced growth in gross written premiums and changes in reinsurance structure, which had limited adverse impacts on the solvency ratio. At the same time, scenarios involving large losses and a significant loss ratio increase highlighted the Firm's vulnerability to catastrophic events and the importance of robust risk management practices. Similarly, the sensitivity of the solvency ratio to external factors, including climate change and inflation risk, emphasised the need for ongoing monitoring and adaptation to external economic and environmental conditions.

The reverse stress tests indicate vulnerabilities in maintaining a solvency ratio above 100%, prompting immediate actions such as notifying stakeholders, observing non-compliance, and invoking recovery plans to address breaches and maintain regulatory compliance.

Risk Events during the reporting period

The Firm had no material risk events during the reporting period.

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 year-end 2023, the Group and AIUK held a solvency coverage ratio of 143% (2022: 167%) and 150% (2022: 174%) respectively, 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;

- 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)
	2023 (£'000)	2022(£'000)
5% increase in movement in investment securities	1,446	1,386
5% decrease in movement in investment securities	(1,446)	(1,386)
10% increase in movement in investment securities	2,892	2,772
10% decrease in movement in investment securities	(2,892)	(2,772)

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 Firm 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)**
	2023 (£'000)	**2022 (£'000)**
10% increase in incurred claims costs	(578)	(347)
10% increase in net operating expenses	(281)	(293)

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 £10.86m 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 £0.64m 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 Group invests in mixed term debt at fixed interest rates. 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. There is also an impact on the Profit and Loss Account in respect of the income received from debt securities.

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.

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.

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)
	2023 (£'000)	2023(£'000)	2022 (£'000)	2022 (£'000)
Cash and cash equivalents	160	40	58	15

	Increase/(decrease) to collective investments 2023 (£'000)	Increase/(decrease) to collective investments 2022 (£'000)
-1%	489	482
-0.5%	243	238
0.5%	(240)	(236)
2%	(937)	(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 Group Investment Management Committee (GIMC) to ensure the risk profile remains appropriate for AIUK. The GIMC 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). In January 2024, AIUK changed investment managers from Mercers LLC to Wellington Management International Ltd. The investment strategy remains unchanged.

AIUK manages its own cash deposits matched to the actuarially assessed short term cash flow schedule. AIUK manages its own investment property, 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 2.03m Euro balance is held within cash at bank as at December 2023.

C.3.4 Market Concentration Risk

Market Concentration Risk is defined as the risk of losses from high exposure to single to companies or an aggregate of exposures to a number of positively correlated companies within one sector or region. Market concentration risk also refers to custodial risk when the custodian and the investment manager form part of the same group of companies. To manage the Group's market concentration risk, the Board approved Investment Guidelines are set out to ensure that the asset manager is aware of their objectives and responsibilities with respect to investments being made on behalf of the firm. Additionally, the Guidelines ensure suitable diversification in investment portfolio over multiple parameters including single Name counterparties, industries and geographies.

C.4 Liquidity Risk

Liquidity Risk is defined as the risk that the Firm 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.5 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-Firm 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.5.1 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.

All bonds and gilts are at a minimum BBB+ credit rating.

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 AIUK is £634,337.

C.5.2 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.6 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 Firm (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 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 Firm 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 around 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.7 Reinsurance Risk

Reinsurance Risk is defined as the risk that the insurance undertaking within the KH SII Group will have to significantly increase capital thresholds or look to the Accelerant Group for assistance in raising sufficient capital, if unable to secure appropriate reinsurance. In line with the Group Reinsurance Policy, supported by the risk acceptance levels approved by the Board, any reinsurance placed must be with a reinsurer with at least an A- rating (rating assessed through the use of rating agencies S&P and AM Best; the higher of S&P or AM Best will be applied) and approved by the Board. The Group has low appetite for reinsurance risk, however, as a risk mitigation tool, reinsurance remains an option within our risk universe. There are currently no significant reinsurance arrangements deployed against the AIUK portfolio.

C.8 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 Firm level. Key components of the Group's Operational Risk are as follows:

C.8.1 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.8.2 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.8.3 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 is formalised and in place, 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.8.4 Third Party Outsourcing Risk

Third Party Outsourcing Risk is the risk of financial or operational loss due to the inadequate management and oversight of major processes, key operations, functions and knowledge that are critical to the business undertaking and provided through third parties arrangements. 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. At present, outsourcing agreements are in place which define service levels and the service being performed. A thorough Due Diligence Process is undertaken for each Third Party, with an escalation and approval process in place, which includes 2nd Line functions. A series of in-depth underwriting, actuarial, compliance, and claims reviews are in place and evidenced by a formal sign-off.

Credit checks are also performed regularly on all third parties. These credit checks are either done manually or through the REG system. Monthly checks carried out on Members and their directors via Lexis Nexis. The REG system is used during the member application process and on an ongoing basis to check Member credit quality and flag any other potential financial or credit management issues.

The Group recognises its increasing reliance on outsourcing arrangements and is currently in the process of embedding the Board approved Third-Party Risk Management (TPRM) Framework to replace the current Outsourcing Framework. The Framework sets out the enhanced 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 use of the automated assessment tool, LaunchPad which is integral in the oversight process. LaunchPad enforces the TPRM Process and ensures the Due Diligence and Risk Assessment on a TP provider is performed in line with internal and regulatory obligations. This includes relationship monitoring, whereby the system gives an alert when there is a material change for a critical arrangement. The Third-Party Risk Management Framework ensures ownership is assigned and the responsibilities are clear.

Please refer to Section B.7 for a list of the current material outsourcing arrangements.

C.8.5 Information Security Risk

Information Security risk is the risk of loss due to a failure to adequately safeguard the organisation's information or communications systems and data from unauthorised access or use by employees, clients, agents or third parties, and cyber-attacks. The integrity of AIUK's information and communication systems is key to the successful delivery of valuable products to our customers, and maintenance of our success and profitability for our stakeholders. The Group has in place numerous directive measures to manage its Information Security Risk such as the Security Management Framework, The Cloud Governance Policy, and the Cyber Security Incident Response Playbook. An integral part of the Security Management Framework includes quarterly monitoring and reporting of key risk indicators, aggressive access management provisions, and regular tabletop exercises which allows the Group to further refine control design and effectiveness and improve incident response procedures.

The operational risk allocation within the standard formula capital requirement is £570k for the Group and AIUK.

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 compiled 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. This Regulatory Business Plan forms the basis of the carrier's Variation of Permissions (VOP) application which seeks to expand the classes of business the insurer can write in the UK. Should the carrier be successful in its application process, there will be a material change to its risk profile.

C.9.2 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 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 Group and AIUK year-end valuation of 31st December 2023.

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 2023	*Assets per Solvency II*	*Variance*	*Assets per UK GAAP*
Property UK	260,000		260,000
Investment Securities	33,832,816	14,323	33,818,493
Cash and Cash Equivalents	3,257,658		3,257,658
Insurance and Intermediary Receivables	410,378		410,378
Deferred Acquisition costs		(608,035)	608,035
Any other Assets not shown elsewhere	1,406,487	(37,558)	1,444,045
	39,167,339	**(631,270)**	**39,798,609**

AIUK

Asset Type 2023	*Assets per Solvency II*	*Variance*	*Assets per UK GAAP*
Property UK	260,000		260,000
Investment Securities	33,832,816	14,323	33,818,493
Cash and Cash Equivalents	3,112,921		3,112,921
Insurance and Intermediary Receivables	410,378		410,378
Deferred Acquisition costs		(608,035)	608,035
Any other Assets not shown elsewhere	1,402,171	(39,241)	1,441,412
	39,167,339	**(631,270)**	**39,798,609**

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 23 October 2023 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 2023. The annual Financial Statements, which follow UK GAAP, are valued on the same basis.

As at 31st December 2023, the total value of The Group's financial investments was £33.82m.

	£
Collective investment undertakings	33,818,493
	33,818,493

The Company holds investments in three collective investment funds with Mercers :

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

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

Funds are also held in a AAA rated Money Market Fund.

Cash and cash equivalents
The Group holds £3,257,658 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.

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 2023	Liabilities per Solvency II	Liabilities per UK GAAP
Technical Provisions	18,996,050	28,072,334
Risk Margin	1,537,071	
	20,533,121	**28,072,334**

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 2023	31 December 2022
Liabilities per UK GAAP	**28,072,334**	**23,106,698**
Modelled premium data difference	41,390	(18,694)
Inflation of unearned premiums	2,586,362	2,798,009
Discounting of unearned premiums	(2,598,323)	(2,772,553)
Application of loss ratios	(11,428,795)	(10,436,875)
Inflation and discounting claims reserves	14,196	-
Claims Handling	614,020	
Management Expenses	760,971	863,942
Investment Expenses	266,407	460,597
Events Not In Data loading	667,487	507,063
Risk Margin	1,537,071	2,180,372
Liabilities per Solvency II	**20,533,120**	**16,688,559**

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 and AIUK of £1,726,568 (2022: £1,404,099).

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	62	62
Other creditors including taxation and social welfare	930,332	930,332
Intercompany loan	810,592	810,592
Accruals and deferred income	510,785	510,785
Deferred tax liability	1,726,568	
Total	**3,978,339**	**2,251,771**

AIUK

	Liabilities per Solvency II	Liabilities per UK GAAP
Creditors arising out of direct insurance operations	62	62
Other creditors including taxation and social welfare	927,645	927,645
Accruals and deferred income	510,785	510,785
Deferred tax liability	1,726,568	
Total	**3,165,060**	**1,438,492**

D.4 Alternative methods for valuation

No alternative valuation methods are used by The Group.

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 £2m in June 2023 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 regular 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 2023 The Group had total own funds of £14.66m. These are Tier 1.

The own funds supported the Solvency Capital Requirement of £10.22m resulting in a ratio of eligible funds to meet the SCR of 143% and a surplus of £4.44m.

The Group Own Funds	31 December 2023	31 December 2022
Own Funds – Tier 1	14,655,878	14,165,467
Total	**14,655,878**	**14,165,467**

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 2023 (£m)*	*31 December 2022 (£m)*
Total Equity in UK GAAP Financial Statements	**9.474**	**10.109**
Deduct items not recognised in Financial Statements		
1. Risk Margin	(1.537)	(2.18)
2. Difference between BEL and Technical Provisions	9.076	8.599
3. Movement in valuation of subsidiary		(0.156)
4. Difference between Prepayments	(0.025)	(0.017)
5. Deferred acquisition costs	(0.608)	(0.745)
6. Deferred tax liability	(1.727)	(1.404)
7. Difference in Receivables	0.003	(0.041)
Solvency II – Basic Own Funds	**14.656**	**14.165**

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. The subsidiary was sold in 2023.
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. 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
7. 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.

AIUK

At the 31st December 2023 AIUK had total own funds of £15.32m. These are all Tier 1.

The own funds supported the Solvency Capital Requirement of £10.22m resulting in a ratio of eligible funds to meet the SCR of 150% and a surplus of £5.10m. The Minimum Capital Requirement (MCR), a minimum level below which the amount of financial resources should not fall was £4.29m, resulting in a ratio of eligible funds to meet the MCR of 357%.

Tier 1 funds arise 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.

Own Funds	**31 December 2023**	**31 December 2022**
Own Funds – Tier 1	15,320,105	14,745,330
Total	**15,320,105**	**14,745,330**

Own Funds have increased over the year due a capital injection of £2m.

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 2023 (£m)***	***31 December 2022 (£m)***
Total Equity in UK GAAP Financial Statements	**10.140**	**10.689**
Deduct items not recognised in Financial Statements		
1. Risk Margin	(1.537)	(2.18)
2. Difference between BEL and Technical Provisions	9.076	8.599
3. Movement in valuation of subsidiary	0	(0.156)
4. Difference between Prepayments	(0.025)	(0.017)
5. Deferred acquisition costs	(0.608)	(0.745)
6. Deferred Tax Liability	(1.727)	(1.404)
7. Difference in Receivables	0.001	(0.041)
Solvency II – Basic Own Funds	**15.320**	**14.745**

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. 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.
7. 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.

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 2023 £m	31 December 2022 £m
AIUK SCR	10.22	8.476
AUHUK SCR	-	0.018
The Group SCR	**10.22**	**8.494**

There is no additional diversification benefit 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 2023 is shown below:

SCR – By Risk Category	31 December 2023 (£)	31 December 2022 (£)
Health Underwriting Risk	2,143	0
Non-Life Underwriting risk	10,860,142	8,669,807
Market risk	642,840	1,623,404
Counterparty default risk	634,337	473,228
Diversification benefit	(766,545)	(1,303,398)
Basic Solvency Capital Requirement	11,372,916	9,463,041
Operational risk	569,881	435,246
LACDT Adjustment	(1,726,568)	(1,404,099)
Solvency Capital Requirement	**10,216,230**	**8,494,188**

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 2023 is shown below:

SCR – By Risk Category	31 December 2023 (£m)	31 December 2022 (£m)
Health Underwriting risk	2,143	0
Non-Life Underwriting risk	10,860,142	8,669,807
Market risk	642,840	1,623,392
Counterparty default risk	634,337	439,436
Diversification benefit	(766,545)	(1,288,175)
Basic Solvency Capital Requirement	11,372,916	9,444,460
Operational risk	569,881	435,246
LACDT	(1,726,568)	(1,404,099)
Solvency Capital Requirement	**10,216,230**	**8,475,607**

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 2023 (£)**	**31 December 2022 (£)**
Linear MCR	4,291,736	2,695,325
SCR	10,216,230	8,475,607
MCR Cap	5,374,259	3,814,023
MCR Floor	2,985,699	2,118,902
Combined MCR	4,291,736	2,695,325
Absolute floor of the MCR	2,358,882	2,325,105
Minimal Capital Requirement	**4,291,736**	**2,695,325**

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 2023 is calculated to be £10,216,230.

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 (Mar 28, 2024 11:04 GMT)

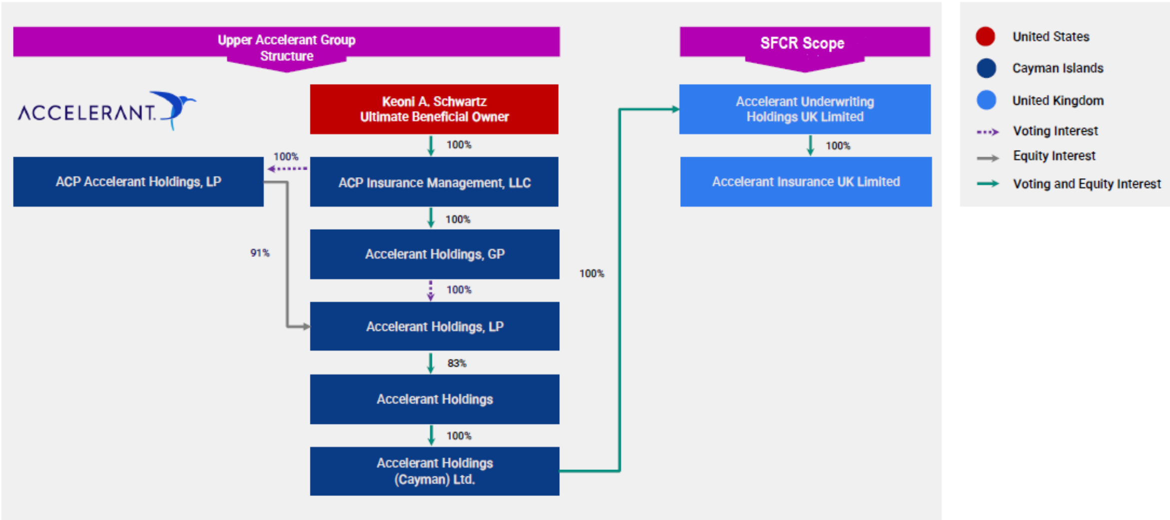
Richard Cunningham

Chief Financial Officer

Date: 28.03.2024

Appendix ii: Group Structure Simplified

Accelerant Insurance UK Limited: Control Structure



Appendix iii: Quantitative Reporting Templates

Accelerant Insurance UK Limited

Solvency and Financial Condition Report

Disclosures

31 December

2023

(Monetary amounts in GBP thousands)

General information

Participating undertaking name	Accelerant Insurance UK Limited
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 2023
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.05.02.01 - 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	2
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)	34,093
R0080	*Property (other than for own use)*	260
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	0
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	33,833
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	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
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	410
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	1,405
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	3,258
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	39,167

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	20,533
R0520	*Technical provisions - non-life (excluding health)*	20,533
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	18,996
R0550	*Risk margin*	1,537
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	1,727
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	518
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	1,734
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**	24,511
R1000	**Excess of assets over liabilities**	14,656

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	6,217						6,217
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	6,217						6,217
	Premiums earned							
R0210	Gross - Direct Business	4,035						4,035
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	4,035						4,035
	Claims incurred							
R0310	Gross - Direct Business	5,780						5,780
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share							0
R0400	Net	5,780						5,780
	Changes in other technical provisions							
R0410	Gross - Direct Business	-2,182						-2,182
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	-2,182						-2,182
R0550	**Expenses incurred**	2,856						2,856
R1200	**Other expenses**							
R1300	**Total expenses**							2,856

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	11,000	11,000		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	3,656	3,656			
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**	14,656	14,656	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)	14,656	14,656	0	0	0
R0530	Total available own funds to meet the minimum consolidated group SCR	14,656	14,656	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)	14,656	14,656	0	0	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	14,656	14,656	0	0	
R0610	**Minimum consolidated Group SCR**	10,216				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	143.46%				
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)**	14,656	14,656	0	0	0
R0680	**Group SCR**	10,216				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	143.46%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	14,656
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	11,000
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**	3,656
	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	643		
R0020	Counterparty default risk	634		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	2		
R0050	Non-life underwriting risk	10,860		
R0060	Diversification	-767		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	11,373		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	570
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-1,727
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**	10,216
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	10,216
	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	10,216
	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**	10,216

USP Key

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

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

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

S.32.01.22

Undertakings in the scope of the group

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	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	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

S.32.01.22

Undertakings in the scope of the group

					Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	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

Group SFCR 2023 - Final for Signing

Final Audit Report 2024-03-28

Created:	2024-03-28
By:	Anna Walker (anna.walker@accelins.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAChP-9vRlH3FZSnkfPwVKClBTlMyQg15v

"Group SFCR 2023 - Final for Signing" History

Document created by Anna Walker (anna.walker@accelins.com)
2024-03-28 - 10:43:23 AM GMT

Document emailed to Richard Cunningham (richard.cunningham@accelins.com) for signature
2024-03-28 - 10:43:30 AM GMT

Email viewed by Richard Cunningham (richard.cunningham@accelins.com)
2024-03-28 - 11:03:58 AM GMT

Signer Richard Cunningham (richard.cunningham@accelins.com) entered name at signing as C R Cunningham
2024-03-28 - 11:04:23 AM GMT

Document e-signed by C R Cunningham (richard.cunningham@accelins.com)
Signature Date: 2024-03-28 - 11:04:25 AM GMT - Time Source: server

Agreement completed.
2024-03-28 - 11:04:25 AM GMT