The New India Assurance Company Limited

UK BRANCH

(A Third Country Branch of The New India Assurance Co Ltd, Mumbai, India)

Solvency and Financial Condition Report

(SFCR)

2023-24

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Executive Summary

This document is the Solvency Financial Condition Report ("SFCR") for UK Branch of The New India Assurance Co. Ltd ("NIA - UK" or "the Branch") as at the year ended 31st March 2024. This SFCR covers NIA - UK on a solo basis.

This SFCR provides information on the solvency of NIA - UK (i.e. our ability to pay liabilities, primarily current and future policyholder claims) and additional information on how we manage the financial strength of the Branch.

The report covers the business and performance, system of governance, risk profile, valuation for solvency purposes and capital management. The Branch's Executive Management Team ("EMT") has ultimate responsibility for all of these matters and is supported by other control functions in place to monitor and manage the business.

The information in this SFCR is based on the year ended 31st March 2024.

The Branch's reporting and presentational currency is GBP.

Figures are shown in £000's, any minor difference shown in totals is due to rounding.

NIA - UK Background

NIA - UK is majority owned by the Government of India and operates in the UK as a third country Branch of the New India Assurance head office. Key financial highlights from the Group include:

- The Company's Gross Written Premium up to 31st March 2024 of USD $5.0 billion, Net Premium at USD $4.1 billion; an increase of 2.2% and 9.8% respectively over the same period last year.
- Net worth has increased to USD $2.5 billion as at 31st March 2024 from USD $2.4 billion the prior year.
- The profit before tax increased by 16.1% to $173.3m despite net catastrophe losses to the extent of $95.2m during the year.
- New India's market share in India as of 31st March 2024 stands at 12.78%.

From 2017, the parent company New India Assurance is listed on the Bombay Stock Exchange ("BSE"), and the National Stock Exchange ("NSE"). In the UK, New India have a long presence since 1920, having recently celebrated 100 years in the UK market, operating out of London and Ipswich, writing both direct insurance, and reinsurance contracts.

Direct business written from Ipswich consists of direct operations of UK provincial business combined risks (motor, employer's liability, public liability and property for homeowners and small-medium enterprises).

Reinsurance business written from London is both facultative property and property treaty business.

NIA – UK is authorised by the Prudential Regulation Authority ("PRA"), and jointly regulated by the Financial Conduct Authority ("FCA") and the PRA.

The following is a high-level description of the contents of each section in this document.

A. Business and performance

This section describes business performance and significant events during the year. It also includes details on our structure, how we are regulated and who our auditors are.

During the financial year ending 31st March 2024, NIA - UK completed gross written premiums of £161.52m (£160.43m in 2022/23) - consisting of £122.18m (£117.73m in 2022/23) from combined direct operations and £39.33m (£42.71m in 2022/23) from inward reinsurance operations which represented an incremental growth of 0.7% against 5.7% growth in the previous year.

The Solvency Capital Ratio reduced to 129.1% for 2023/24 from 140.7% in 2022/23 due to increases in frequency and severity of natural disaster catastrophe claims, uptick in attritional losses and reductions in expected reinsurance recoveries on a couple of large claims (thereby increasing the net loss to NIA - UK). The SCR decreased slightly compared to the previous year, as the Branch continued to manage emerging risks and positioned itself to capitalise on new opportunities in line with its risk appetite. Overall, the Branch is protected by adequate reinsurance protection, and NIA – UK are well placed to uphold all policyholder liabilities.

B. System of Governance

This section outlines our system of governance and risk management framework including details on how the Branch is directed and controlled. We also describe our remuneration policy and practices, and our adherence with the 'Fit and Proper Requirements' when appointing employees to key functions within the Branch.

NIA - UK employs systems of governance which are commensurate with the nature and size of the business, our products and risk profile, through a combination of internal and external knowledge and resources. A key part of NIA – UK's systems of governance is the three lines of defence model. The first line of defence comprises the management of day-to-day activities, risks and controls and the second line of defence involves the independent oversight of day-to-day activities and controls implemented by the first line by the risk and compliance team. The third line of defence rests with the internal auditors.

The effectiveness of the governance structure and processes in place were tested and found to be robust during the 2020/21 COVID-19 pandemic. Since then, NIA – UK have adopted flexible hybrid working arrangements ensuring the safety of its employees whilst continuing to serve its customers.

C. Risk profile

This section describes our risk profile, including risk exposures, concentrations, mitigation and sensitivity. NIA – UK's risk profile is stable and generally changes only gradually from year to year. However, the work we do to mitigate and manage risk is enhanced and strengthened each year.

NIA – UK underwrites a well-diversified portfolio of direct insurance and reinsurance operations (Property Facultative and Treaties on proportional and non-proportional basis). The risk categories contributing to our Solvency Capital Requirements ("SCR") are shown in the chart below with capital components shown pre-diversification.

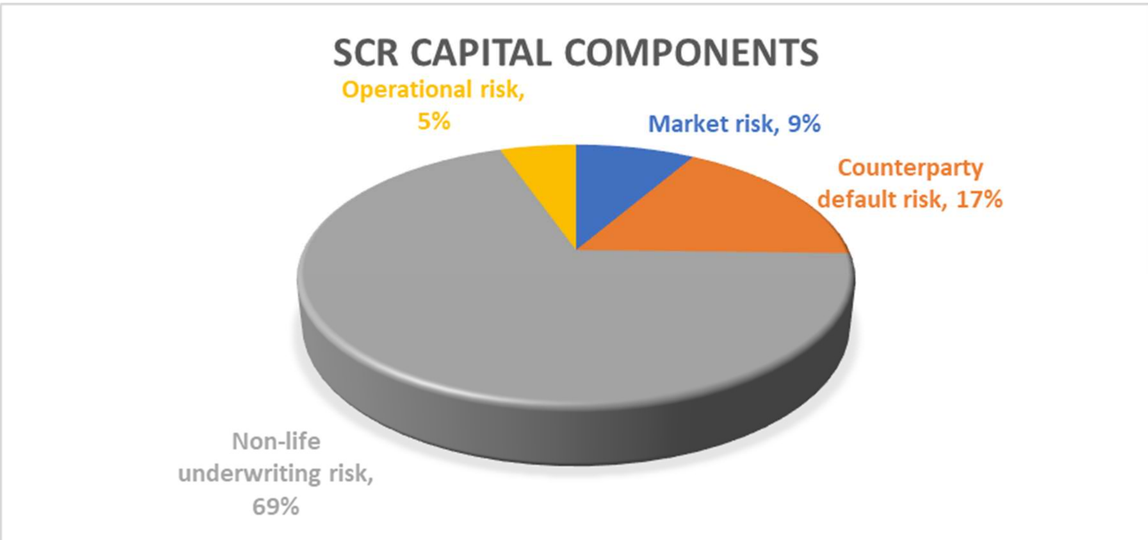


Figure 1

The chart illustrates that non-life underwriting risk and counterparty risk make up the largest portion of the Branch's SCR. The SCR represents the minimum level of capital NIA – UK should hold to protect the business from a 1-in-200 year event over the next 12 months.

In order to help mitigate non-life underwriting risks, NIA - UK maintains a disciplined underwriting philosophy that is supported by risk appetites set at the aggregate level as well as individual class.

NIA - UK also benefits from a comprehensive reinsurance programme that provides protection for both direct insurance and reinsurance business.

NIA - UK undertakes stress and scenario testing to test resilience of the Branch's capital. The results of this analysis showed that the most sensitive part of the SCR is premium/reserve risk element of non-life underwriting risk. Premium/reserve risk for NIA – UK is driven by business growth with corresponding increases in claims. This demonstrates the importance of disciplined underwriting philosophy and controlling growth targets against available capital.

Further, NIA - UK together with its actuaries have assessed that, as at the date of this report, the solvency position of NIA - UK remains within its risk appetite and well above the regulatory minimum even with short term inflationary pressures.

D. Valuation for solvency purposes

In this section, we describe the bases and methods used for the valuation of our assets, technical provisions and other liabilities. The analysis includes a comparison to UK GAAP results and details of any judgements and assumptions made.

NIA - UK holds technical provisions to represent the current amount an insurer would have to pay to transfer of its (re) insurance obligations to another (re)insurer. This therefore represents the amount of money we would hold in reserve for claims and premiums for policies. The technical provisions are comprised of two key elements: The Best Estimate Liability ("BEL") and the Risk Margin ("RM").The BEL is calculated as the probability weighted average of future cash flows discounted back to the relevant balance sheet date using risk free discount rates.

The Risk Margin represents an allowance for the cost of capital necessary to support the policies NIA - UK is obligated until the final settlement date.

NIA - UK uses the UK GAAP reserves as the starting point for determining the Solvency II (SII) technical provisions. Adjustments are made to move from the UK GAAP basis to the Solvency II basis. These adjustments are detailed within Section D2.

E. Capital management

NIA - UK has a strong and stable capital position under SII and our capital (referred to as 'Own Funds' under SII) is of a high quality. This section describes our approach to capital management and includes information on the amount and quality of our eligible Own Funds.

Under Solvency II the own funds of an insurance entity are placed into Tiers 1, 2 or 3 based on their ability to absorb losses, Tier 1 being the most readily available to absorb losses. Below is a summary of the own funds held by NIA - UK and a comparison to the regulatory capital requirements (the amount of capital the Branch is required to hold).

Asset category (£ 000's)	31/03/2024	31/03/2023
Tier 1 - unrestricted	131,307	146,132
Tier 2	-	-
Tier 3 - recognised deferred tax asset (liability)	-	- 1,026

Figure 2

The table below shows the ratio of eligible own funds to the SCR and MCR calculated under Solvency II shown in £000's.

Description	31/03/2024	31/03/2023
Total Assets	349,414	365,303
Total Liabilities	218,107	220,198
Basic Own Funds	131,307	145,106
SCR	101,737	103,158
MCR	34,872	33,165
Ratio of Eligible own funds to SCR	**129.1%**	**140.7%**
Ratio of Eligible own funds to MCR*	**376.5%**	**440.6%**

** Ratio of eligible own funds compared to MCR excludes deferred tax assets*

Figure 3

Overall, NIA - UK holds own funds equal to 129.1% of the SCR and 376.5% of the MCR.

Head of Third Country Branch statement

I acknowledge my responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations. I am satisfied that

a. throughout the financial year in question, the Branch has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the NIA - UK;

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

Hemendra Swaroop

Head of Third Country Branch Function – UK Branch

Date: 05th July 2024

Report of the external independent auditor to the CEO of The New India Assurance Company Limited –UK Branch (‘the Branch”) pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Branch as at 31st March 2024:

- The ‘Valuation for solvency purposes’ and ‘Capital Management’ sections of the Solvency and Financial Condition Report of the Branch (‘the Narrative Disclosures subject to audit’); and

- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21, S28.01.01 (‘the Templates subject to audit’).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the ‘relevant elements of the Solvency and Financial Condition Report’.

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

- The ‘Business and performance’, ‘System of governance’ and ‘Risk profile’ elements of the Solvency and Financial Condition Report;

- Company templates S05.01.02; and

- The written acknowledgement by management of their responsibilities, including for the preparation of the solvency and financial condition report (‘the Responsibility Statement’).

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Branch is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

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

Conclusions relating to going concern

Our evaluation of the CEO's assessment of the Branch's ability to continue to adopt the going concern basis of accounting included:

1. Obtaining CEO's going concern assessment and challenging the material assumptions made using our knowledge of company's business performance;
2. Considered the forward looking assumptions and assessed the reasonableness of this based on recent historic performance;
- Assessment of financial solvency through inspection of management's Own Risk and Solvency Assessment ("ORSA"); and
3. Reviewing information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Branch's ability to continue as a going concern for a period of at least twelve months from the date on which the Solvency and Financial Condition Report is authorised for issue.

In auditing the Solvency and Financial Condition Report, we have concluded that the CEO's use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Branch's ability to continue as a going concern.

Our responsibilities and the responsibilities of the CEO's with respect to going concern are described in the relevant sections of this report.

Emphasis of Matter – Basis of Accounting

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

Other Information

The CEO is responsible for the Other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the CEO for the Solvency and Financial Condition Report

The CEO is responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The CEO is also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.
Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to UK regulatory principles, and we considered the extent to which non-compliance might have a material effect on the Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Solvency and Financial Condition Report. We evaluated management's incentives and opportunities for fraudulent manipulation of the Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates. Audit procedures performed included:

• Discussions with management, external actuaries and the company's compliance function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
• Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to Solvency II valuation adjustments made to the UK GAAP technical provisions balance;

• Identifying material adjustments to derive the Solvency II financial information from the statutory financial statements and assessing for indicators of material non-compliance with Solvency II regulations; and
• Designing audit procedures that incorporated unpredictability around the nature, timing or extent of our testing to material and immaterial Solvency II Balance Sheet items, as well as validating the accuracy of

financial information used to derive the Relevant Elements of the SFCR subject to audit.
There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Solvency and Financial Condition Report. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidancefor-auditors/Auditors-responsibilities-for-audit/Scope-of-audit. The same responsibilities apply to the audit of the SFCR.

Use of Our Report

This report is made solely to the CEO of the Branch in accordance with Rule 2.1 of External Audit Chapter of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the CEO those matters that we have agreed to state to them in this report and for no other purpose. To the fullest permitted by law, we do not accept or assume responsibility to anyone other than the CEO, for our work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Branch's financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

D. Arora

Devender Arora ACA
Rel Integral Accounting and Auditing Limited
Chartered Certified Accountants and Statutory Auditors
65 Delamere Road, Hayes, Middlesex, England, UB4 0NN
Date: 04 July 2024

A. Business and Performance

A.1 Business

A1.1 Name and legal form of the undertaking

New India Assurance Branch Limited ("NIA - UK") operates as a Third Country Branch undertaking of The New India Assurance Co. Ltd ("NIA – India"), an insurance company based in Mumbai, India.

The London Branch is located at:

36 Leadenhall Street,
London,
EC3A 1AT

This Solvency and Financial Condition Report ("SFCR") covers NIA - UK on a solo basis only.

The New India Assurance Co. Ltd is majority owned by the Government of India, and operates in the UK as a third country Branch.

The Branch's external auditor is Rel Integral Accounting and Auditing Limited and their office is located at:

65 Delamere Road
Hayes, Middlesex.
UB4 0NN,
United Kingdom

A1.2 Business Strategy

NIA - UK has had a long-term presence in the UK market dating back to 1920. During this time gross written premium ("GWP") from general insurance and trading from the Lloyd's desk has grown to over £161.5 million.

NIA - UK continues to develop its products and service standards, thereby broadening and strengthening relationships with existing customers and brokers, while all the time attracting new business and new customers.

NIA - UK's products in direct operations include business combined, office and surgeries, hotels, pubs and guesthouses, wholesale and manufacturers, shops and restaurants, care homes and residential and commercial properties. Motor and Householders' business products are serviced through Managing General Agents ("MGAs"). The London Facultative team writes a small portion of direct business under co-insurance basis.

NIA - UK's reinsurance operations from the London office and the box at Lloyd's includes Property Facultative and Treaties on proportional and non-proportional basis.

NIA - UK's key strategies are to:

- provide excellent customer service;
- continue to offer a comprehensive product range to their customers;
- continue to develop products and service standards, thereby broadening and strengthening relationships with existing customers, brokers, and MGA's;
- continually attract new business, customers, and cedants;
- provide all necessary support to parent organisation to ensure improvement in AM Best rating;
- maintain a Solvency Coverage Ratio in excess of 110%, and to hold sufficient capital to provide at least a 99.5% level of confidence that policyholder liabilities will be met;
- continue the long-term presence in the UK;
- maintain and develop lasting relationships and goodwill with clients, MGA's, brokers and intermediaries; and
- continue to establish our identity as a dependable security and service provider.

NIA - UK's long-term presence in the UK market provides a secure, solid base from which to continue to develop and direct a diverse range of insurance interests.

A1.2 Material Subsidiaries

NIA – UK does not have any subsidiaries.

A1.3 Legal Structure

The chart below shows the structure of the ownership and legal links that affect NIA - UK. NIA – India is owned majority by the Government of India. NIA – India is regulated by Insurance Regulatory and Development Authority of India (IRDAI).

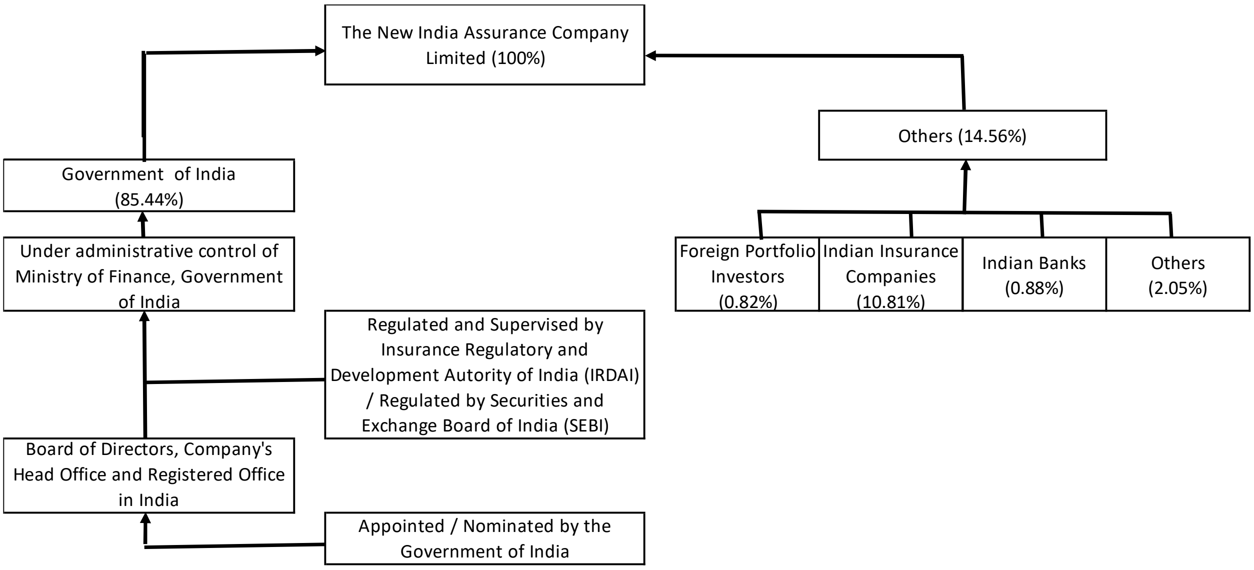


Figure 4

Strategy and portfolio

NIA - UK's strategy is to achieve long-term book value growth commensurate with the NIA - India objective of being a global property/casualty general insurer of choice, maximising the benefits of the local UK presence and global service and writing products in all territories.

Premium income distribution by type of business and then by Solvency II line of business (SII LOB) is shown in graphs below.

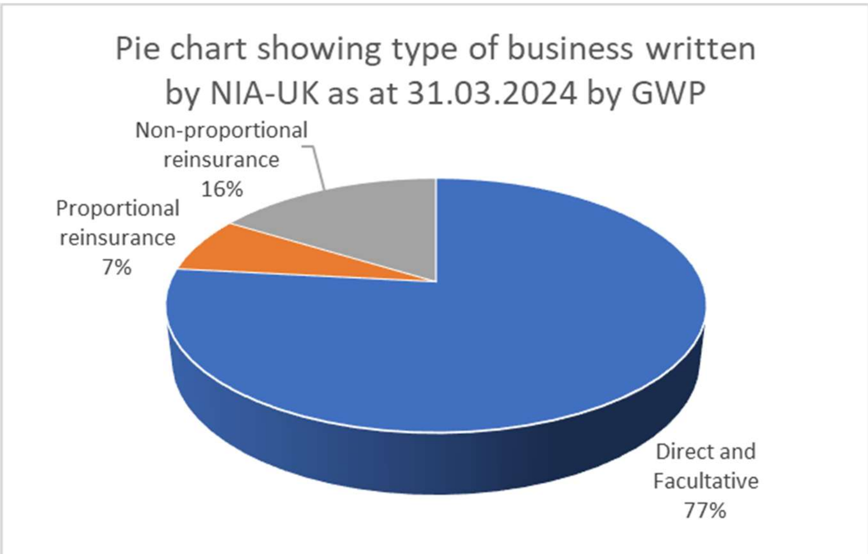


Figure 5

The chart below shows a comparison of premium income by Solvency II lines of business for 2023/24 and 2022/23:

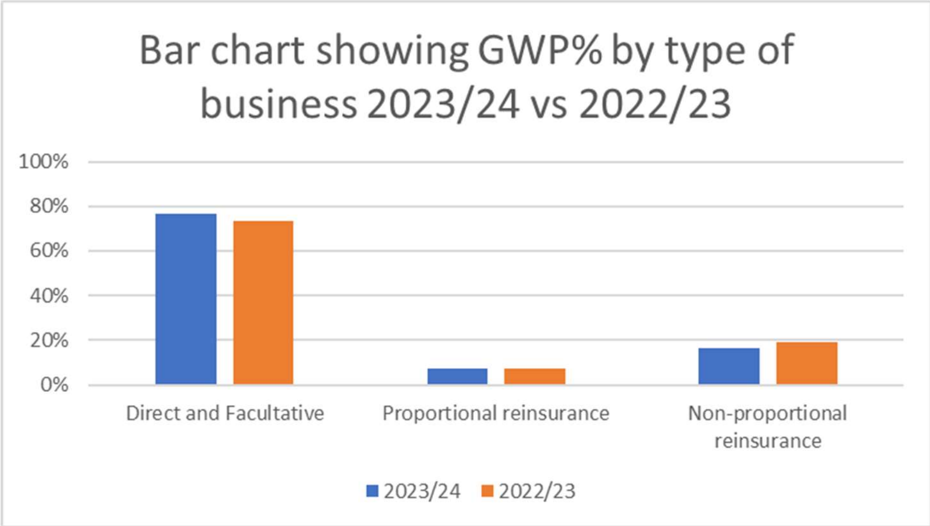


Figure 6

Direct business consists of motor and property business written out of London and Ipswich.

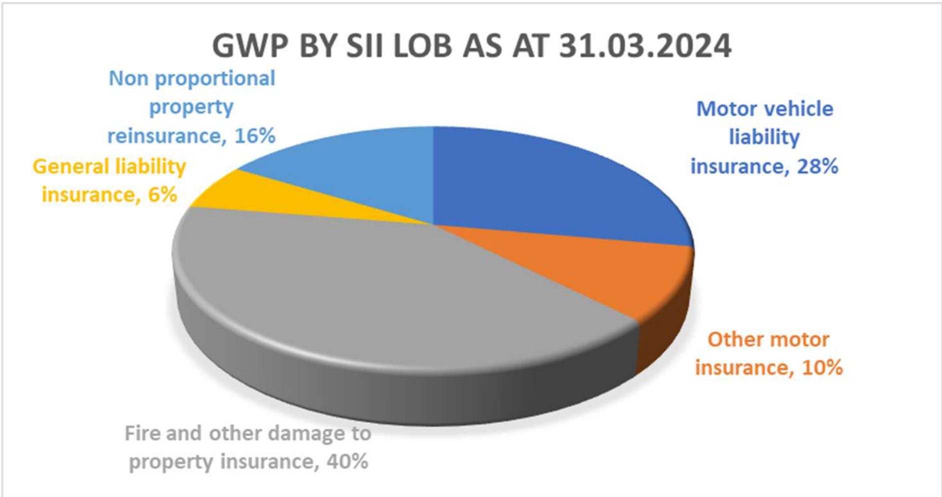


Figure 7

No new classes of business were underwritten by the Branch in the year ended 31st March 2024. The chart below shows GWP split by Solvency II line of business for 2023/24 compared to 2022/23:

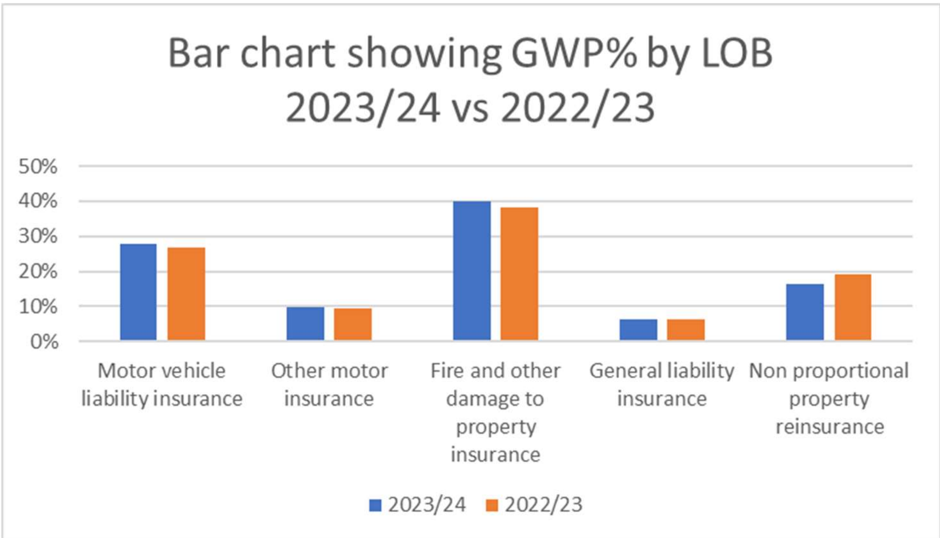


Figure 8

A1.4 Business Performance 2023/24

The following table provides details of key performance indicators under UK GAAP for NIA – UK for the years ended 31st March 2024 and 2022/23 in £000's.

UK GAAP Performance Indicators (£000's)	2023/24	2022/23
Net Earned Premium	135,448	128,151
Underwriting Profit/Loss	(27,840)	(15,579)
Net Combined Ratio	120.55%	112.16%
Investment Return	11,913	4,745
Investments/cash deposits	312,041	323,421
Investment yield	3.82%	1.47%
Investments/Cash deposits	312,041	323,421
Total Assets	349,414	434,111
Proportion of Investments/Cash of Total Assets	89.30%	74.50%
Opening equity of NIA - UK	140,732	146,271
Profit/Loss for period	(16,888)	(7,789)
P&L transfer entry to Head Office	(862)	2,251
Closing equity of NIA - UK	123,060	140,732

Figure 9

The underwriting loss £(27.84)m was mainly due to due to increases in the frequency and severity of natural disaster catastrophe claims, uptick in attritional claims and reductions in expected reinsurance recoveries on a few large claims (thereby increasing the net loss to NIA - UK). These reductions in reinsurance recovery case reserves unwind via the profit and loss account on a financial year basis. The Branch maintains adequate retrocession reinsurance protection; however, the Branch booked an underwriting loss for 2023/24.

The total value of investments/cash deposits held decreased during the year due to accelerated claim payments, however the investment yield increased significantly as against the previous year owing to attractive fixed deposit investment yields being available.

There remains a healthy mix of investments and cash deposits within total assets; however, real return investment yields are likely to face pressure due to emerging macroeconomic events and potential political uncertainty.

A.2 Underwriting Performance

A.2.1 Underwriting Performance

Underwriting profit and loss under Solvency II lines of business for the periods 2023/24 and 2022/23 are shown below (in £000's):

2023/24 (£000's)	Gross Written Premiums	Gross Earned Premiums	Gross Incurred Claims	Gross Operating Expenses	Reinsurance Recoverable Balances	Underwriting Profit/Loss
Proportional Reinsurance	13,134	12,764	2,872	3,402	(6,973)	(483)
Non-Proportional Reinsurance	26,197	28,306	44,046	7,434	8,090	(15,084)
Direct and Facultative	122,184	125,660	75,576	33,943	(28,413)	(12,272)
Total	**161,515**	**166,730**	**122,494**	**44,779**	**(27,296)**	**(27,839)**

2022/23 (£000's)	Gross Written Premiums	Gross Earned Premiums	Gross Incurred Claims	Gross Operating Expenses	Reinsurance Recoverable Balances	Underwriting Profit/Loss
Proportional Reinsurance	11,817	9,250	4,253	2,750	(1,120)	1,127
Non-Proportional Reinsurance	30,889	36,781	28,479	9,235	(5,006)	(5,940)
Direct and Facultative	117,733	116,010	77,297	32,643	(16,837)	(10,767)
Total	**160,439**	**162,041**	**110,029**	**44,628**	**(22,963)**	**(15,579)**

Figure 10

A.2.2 Underwriting GWP by geographical area.

Region - 2023/24	Direct	Proportional Reinsurance	Non-Proportional Reinsurance
Northern Europe	100%	16%	5%
Western Europe	0%	0%	7%
Eastern Europe	0%	0%	3%
Southern Europe	0%	0%	1%
Central and Western Asia	0%	6%	9%
Eastern Asia	0%	5%	6%
South and South-Eastern Asia	0%	2%	1%
Oceania	0%	18%	16%
Northern Africa	0%	3%	3%
Southern Africa	0%	3%	6%
Northern America excluding the USA	0%	0%	1%
Caribbean and Central America	0%	24%	16%
Eastern South America	0%	6%	2%
Northern, southern and western South America	0%	17%	11%
North-east United States of America	0%	0%	1%
South-east United States of America	0%	0%	3%
Mid-west United States of America	0%	0%	3%
Western United States of America	0%	0%	6%

Region - 2022/23	Direct	Proportional Reinsurance	Non-Proportional Reinsurance
Northern Europe	100%	16%	5%
Western Europe	0%	0%	7%
Eastern Europe	0%	0%	3%
Southern Europe	0%	0%	1%
Central and Western Asia	0%	5%	9%
Eastern Asia	0%	8%	6%
South and South-Eastern Asia	0%	3%	1%
Oceania	0%	18%	16%
Northern Africa	0%	3%	4%
Southern Africa	0%	2%	6%
Northern America excluding the USA	0%	0%	1%
Caribbean and Central America	0%	24%	17%
Eastern South America	0%	5%	2%
Northern, southern and western South America	0%	16%	11%
North-east United States of America	0%	0%	1%
South-east United States of America	0%	0%	2%
Mid-west United States of America	0%	0%	3%
Western United States of America	0%	0%	5%

Figure 11

For more details and the breakdown of the Premiums, Claims and Expenses please refer to Annual Return Template S.05.01 (un-audited).

The performance has aligned with the Branch's existing policies and projections. In addition to meeting policy requirements, NIA - UK achieved a flat premium growth of 0.7% in GWP during 2023/24.

A.3 Investment Performance

Investment Strategy:

NIA – UK's investment strategy is built around the following objectives:

- Maintaining sufficient liquidity to meet likely obligations;
- Generating investment income to enhance and supplement the profitability of UK operations;
- Ensuring preservation and safety as well as the value of the investments; and
- Growing the value of the investments through capital appreciation.

The long-term objective is to achieve an average annual investment return of 1 - 3% which will be dependent on the prevailing central bank base rates. For the financial year 2023/24 the investment yield was 3.82% which is in accordance to the prevailing market conditions.

The investment results for 2023/24 under SII are shown below:

Asset Category - 2023/24 (£000's)	SII Market Value	Total Income
Fixed Deposits and Cash	288,728	11,814
Government Bonds	23,628	51
Corporate Bonds	6,038	48
Total	**318,394**	**11,913**

Asset Category - 2022/23 (£000's)	SII Market Value	Total Income
Fixed Deposits and Cash	298,696	4,668
Government Bonds	22,050	47
Corporate Bonds	6,688	31
Total	**327,433**	**4,745**

Figure 12

Deposits with credit institutions are primarily money market instruments held in Indian banks based in the United Kingdom. These accounts are denominated in Sterling, US Dollars and Euro with the purpose of paying claims in the required currency based on regional exposure.

NIA - UK maintained a stable portfolio of bonds of £29.7 million during 2023/24 through investment Fund Managers in order to match assets more actively against liabilities in respective currencies. The portfolios are regularly monitored and tracked with periodic statements from the Fund Managers.

A.4 Performance of other activities

NIA - UK does not receive any material income other than that received from its underwriting and investment performance.

NIA - UK has no financial or operating lease arrangements, as lessor.

As lessee, the Branch utilises office space in both London and Ipswich which are held under operating leases. The latter are not treated as assets under current UK GAAP reporting.

A.5 Any other information

In view of continued rating action of AM Best in 2020, there is a possibility of some non-renewal of reinsurance policies. As part of NIA – UK's ongoing monitoring of risk and assessment process NIA – UK have modelled sensitivities of business volume shrinkage against available capital. As a result of lower business volumes, NIA - UK's solvency ratio improves as the reduction to available capital is smaller than the decrease to SCR. NIA – UK is well placed to continue to uphold all policyholder liabilities with a 99.5% level of confidence.

The effects of Brexit are continuing to be seen during 2023/24 with reduced business volumes on the international reinsurance portfolio.

NIA - UK does not consider there is any other material information to disclose on its business and performance.

B. System of Governance

B.1 General information on the System of Governance

NIA – UK's System of Governance provides a framework through which the Branch's risks are adequately directed and controlled. The system comprises a clear organisation structure, transparent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it might be exposed and an adequate internal control mechanism all of which promote effective risk management.

NIA - UK maintains a Governance Map as required by the PRA's Senior Managers & Certification Regime (SM&CR) that shows the distribution of responsibilities of individuals for the systems of internal control of the Branch and the holders of specific responsibilities.

The Executive Management Team ("EMT") is satisfied that the system of governance as set out in the Governance Map, is adequate and appropriate for NIA - UK.

B1.1 The Executive Management of the Branch

The EMT is responsible for the governance and control of the Branch. In fulfilling these responsibilities, the EMT considers the relationships between risk, return and capital. These include amongst other things setting and overseeing the following:

- Business strategy
- Capital management
- Risk management
- Organisation structure
- Branch policies
- Remuneration
- Internal control framework

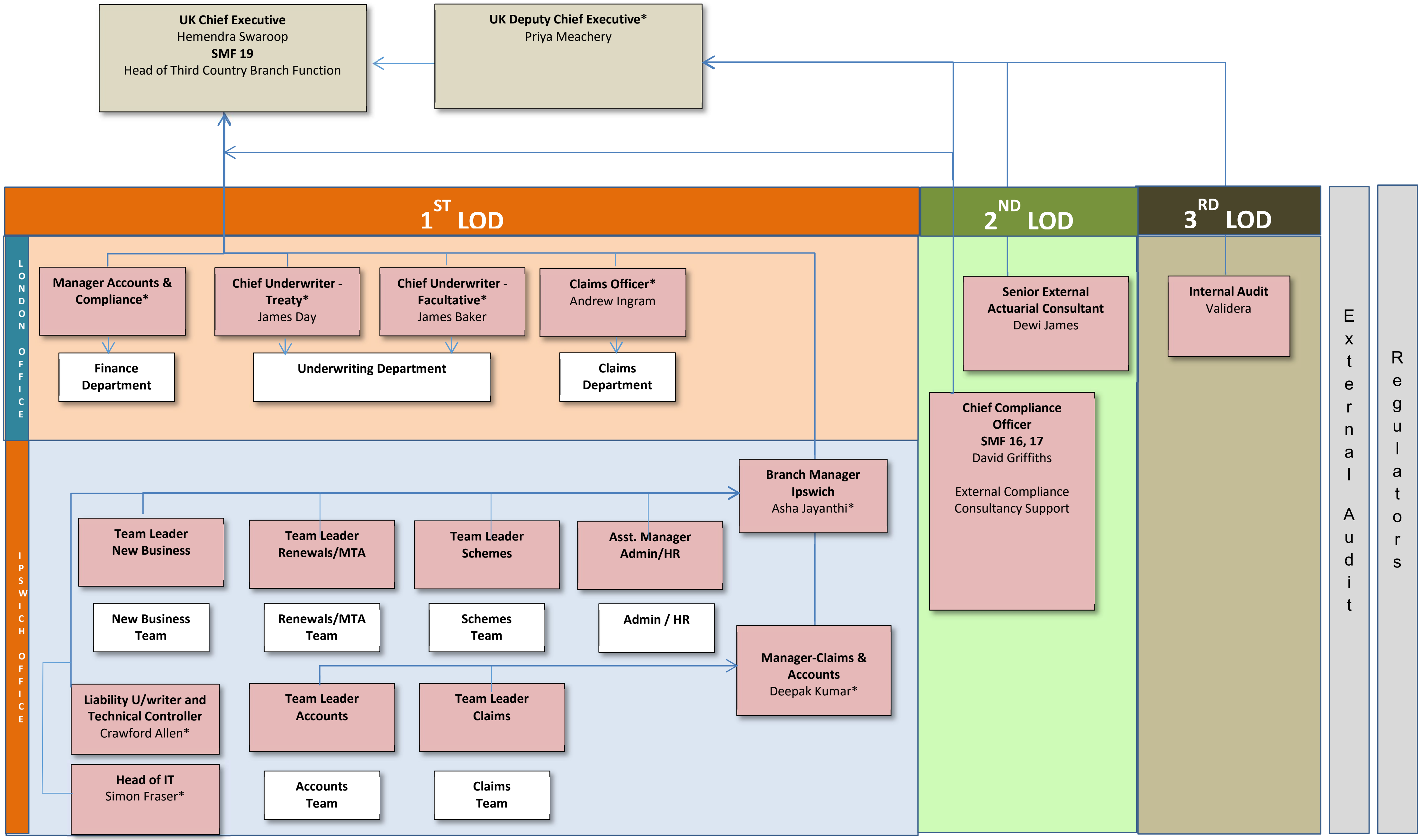
The EMT sets appropriate policies and assesses what constitutes a sound system of risk management and internal control in the particular circumstances of the Branch. In doing this, consideration is given to the following:

- The nature and extent of the risks facing the Branch
- The likelihood of the risks concerned materialising
- The Branch's ability to reduce the incidence and impact of the risks that do materialise
- The costs of operating particular controls relative to the benefit obtained in managing the related risks

B1.2 Structure of Governance Arrangements

The system of governance is considered to be appropriate for NIA - UK, taking into account the nature, scale and complexity of the risks inherent in the business.

The governance of the Branch is managed within the three lines of defence model as per the following chart:



* denotes Certified Individual

Governance Management Functions

Mr Hemendra Swaroop holds the PRA Senior Insurance Management Function of Head of Third Country Branch (SMF19).

Dr David Griffiths holds both the PRA Senior Insurance Management Function of Compliance Oversight Function (SMF16) and Money Laundering Reporting Function (SMF17).

Executive and Management Responsibilities

The senior members of the Executive and Management team are as follows:

- H. Swaroop (Chief Executive, Head of Third Country Branch Function – UK)
- P. Meachery (Deputy Chief Executive – UK)
- D. Griffiths (Compliance Oversight & Money Laundering Functions)
- A. Jayanthi (Branch Manager Ipswich)
- D. Kumar (Manager – Claims and Accounts)

In addition to the primary focus on risk and capital, the EMT manages the ongoing business and affairs of NIA – UK. This includes:

- Approving the strategy, plans and budgets of the Branch;
- Ensuring that the Branch has adequate systems of internal control and reporting;
- Ensuring compliance with regulatory requirements and overseeing the Own Risk and Solvency Assessment process ("ORSA");
- Ensuring adequate risk and liquidity management procedures are in place;
- To effectively oversee the operations of the loss reserving function of the Branch;
- To control and manage the underwriting and reinsurance matters of the Branch and, where appropriate, to liaise with the claims team on claims;
- To develop the Branch culture and standards in relation to the day-to-day management of the Branch, carrying on the business, and to empower staff;
- To maintain independence, integrity and effectiveness of the Branch's policies and procedures on whistleblowing and protect members of staff who raise concerns, from detrimental treatment; and
- Ensuring adequacy of the Branch's remuneration policies and procedures.

External Audit

The External Auditors are Rel Integral Accounting and Auditing Limited ("Rel Integral") who report directly to the Head of Third Country Branch on UK matters and NIA – India for group reporting purposes.

Responsibilities of the External Auditor

Rel Integral conduct the non-statutory audit of the relevant elements of the Solo SFCR in accordance with International Standards on Auditing (UK) ("ISAs (UK)") including ISA (UK) 800 and ISA (UK) 805, and applicable law except for in respect of evaluating the overall adequacy of presentation.

In accordance with the ISAs (UK), Rel Integral will communicate certain matters related to the conduct and results of the audit to those charged with governance. Such matters include:

- Rel Integral's responsibility under the ISAs (UK) for forming and expressing an opinion on the relevant elements of the Solo SFCR that have been prepared by management with the oversight of those charged with governance and that such an audit does not relieve management and those charged with governance of their responsibilities.
- An overview of the planned scope and timing of the audit including the type of work to be performed on the Solo SFCR.
- Any other findings on non-relevant components will be communicated to the management as a part of the audit.

Written representations requested from management and significant matters, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

B.1.2 Changes to the Governance Structure During the Year

During the year ending 31st March 2024, Mukta Sharma successfully completed her tenure as Chief Executive – UK Branch and was succeeded by Hemendra Swaroop, with SMF 19 and Head of Distribution roles handed over.

S. Sarangi also successfully completed his term in UK. Subsequently D. Griffiths was recruited as Chief Compliance Officer and took over SMF16 and SMF17. During this interim period, secondee S. Connor was handling Compliance functions.

During the year J. Baker was promoted to Chief Underwriter – Facultative Reinsurance, as P.G. Scott took on the role of Strategic and Technical Advisor.

Claims management was assumed by Claims Officer, A. Ingram in place of Claims Manager P.J. Patel.

B.1.3 Remuneration Policy

The Remuneration Policy applies to all employees.

The purpose of the Remuneration Policy is to document the Branch's approach in setting remuneration for management and employees. The adoption of the Branch's Remuneration Policy and practices, which are fair, competitive and promote sustainable performance over the long-term, is a key responsibility of the EMT. In addition, the EMT ensure that the Branch's remuneration practices do not promote excessive risk taking but do promote sound risk management.

The Branch's Remuneration Policy supports the business strategy, objectives, values and long-term interests by aligning the objectives and incentives of staff with financial and non-financial performance.

The purpose of the NIA – UK's Remuneration Policy is to ensure that compensation practice:

- Reflects the risk strategy, profile and management practices
- Remains aligned with the Branch's' long-term business objectives, plan and strategy
- Promotes the Branch's culture and values
- Attracts, retains and motivates competent, experienced and skilled employees
- Minimises the risk of inappropriate behaviour, and
- Serves the best interests of the Branch, NIA – India, and its clients.

The EMT is responsible for:

- Approving the Remuneration Policy
- Oversight of compensation practice to ensure that compensation is in line with the business plan and strategy
- Recommending compensation of all staff
- When appropriate agreeing any bonus payments to employees
- Agreeing the terms of any staff benefit schemes
- Ensuring salary reviews and bonus payments are consistently applied throughout the Branch
- Ensuring employee performance in respective area(s) of responsibility is reviewed, monitored and assessed in a consistent manner across the organisation
- Communicating performance of overall units and individual employees under their respective areas of responsibility.

Considering organisational and individual performance and ratifying actions to be taken within the annual compensation processes including promotional, merit and cost of living adjustments.

B.2 Fit and Proper Requirement

B.2.1 Processes

NIA - UK has put in place practical guidance on what the Branch needs to do in order to ensure all Relevant Employees of NIA – UK meet the Fit and Proper Standards set out in the Solvency II Directive and required by the PRA and FCA.

B.2.2 Relevant Employees

The following are NIA – UK's "Relevant Employees"

Branch Executive and Management

- Chief Executive, Head of Third Country Branch - UK
- Deputy Chief Executive – UK
- Chief Compliance Officer - UK
- Branch Manager – Ipswich
- Manager - Ipswich

Key managers:

Key Function Holders and others in key functions ("Key Managers") include persons who are responsible for the high-level decision making and formulating the strategies and policies of NIA - UK.

- Chief Executive, Head of Third Country Branch - UK
- Deputy Chief Executive – UK
- Chief Compliance Officer - UK
- Branch Manager – Ipswich
- Chief Underwriter – Facultative
- Chief Underwriter – Treaties
- Officer - Claims
- Manager – Ipswich
- Manager – Accounts & Compliance
- Manager – I.T.

Details of SMFs, Key Function Holders and others in key functions are included within the NIA - UK Governance Map, which is reviewed and updated when required. Any changes to personnel included within the scope are advised to the NIA - UK supervisor via submission of the Governance Map.

All the required personnel meet the fit and proper requirements provided by the regulatory policies governing these functions.

B.2.3 Minimum Requirements of Key Persons

NIA – UK has implemented appropriate assessments to ensure that Relevant Employees meet the following minimum requirements both at appointment and on an on-going basis:

- Appropriate competence and capability, taking into account professional qualifications, training, knowledge and relevant experience including understanding of regulatory requirements to enable sound and prudent management (fit); and
- Propriety, taking into account reputation, financial soundness and personal characteristics such as integrity and transparency (proper).

B.3 Risk Management System, including Own Risk Solvency Assessment

A fundamental part of NIA – UK's risk management system is the development, implementation and maintenance of a risk management register ("the Risk Register"). The fundamental objectives of the Risk Register are to:

- Improve decision making by ensuring risk is considered in the formulation and implementation of business strategies so that they are designed to achieve an optimum balance between capital, risk and reward.
- Allow the identification of business activity where risks may arise and effectively manage those exposures to a level consistent with the Branch's risk appetite.

In addition, NIA – UK has put in place policies for key risks faced by the Branch which consequently represent the areas of focus for strategic business decisions and risk management activities.

The NIA – UK EMT holds ultimate responsibility for the effectiveness of the system of risk management including the related policies that provide additional process and governance.

B.3.1 Risk Strategy and Policies

The Branch's Risk Management Policy defines the key risk principles with regard to risk management within NIA - UK and also the categories of risk faced by the Branch.

The supporting policies approved by the EMT, set out how risk is managed, procedures and tasks to be undertaken, the implications for capital, risk appetite and frequency of stress testing. It is Branch policy that relevant scenario and stress tests are to be completed at least annually. Furthermore, ad hoc stress tests are to be considered when it is anticipated that the risk profile of the Branch may significantly change or at any time at the direction of the EMT.

B.3.2 Risk Management Function

Key risks are regularly identified taking the top five risks per residual risk rating. These are managed by adopting the following risk mitigation methods:

- Tolerate/Accept – acknowledge the existence of a particular risk and make a deliberate decision to accept it without engaging in special efforts to control it.
- Terminate/Avoid – adjust requirements or constraints to eliminate the risk
- Treat/Control – implement actions to minimise the impact or likelihood of the risk
- Transfer – reassign organisational accountability, responsibility, and authority to another stakeholder willing to accept the risk

Roles and Responsibilities:

The Chief Executive, Third Country Branch and the Deputy Chief Executive are responsible for monitoring the business performance, risk profile and risk management framework to promote:

- Compliance with this and the other risk processes;
- Operation within NIA - UK's risk appetite and stated risk limits;
- Identification of any breaches (or potential breaches) of the Risk Management Policy and risk limits, appropriate escalation and the development of corrective plans;
- The identification of changes to the operating environment as early as possible so that appropriate changes to risk strategy, risk appetite and risk limits can be made in a timely manner;
- Ensuring that controls are effective and efficient in both design and operation;
- Obtaining further information to improve risk assessment; and
- Analysing and learning lessons from events, changes, trends, successes and failures.

B.3.3 Integration of the Own Risk and Solvency Assessment into the Business

At least on an annual basis, NIA – UK completes an Own Risk and Solvency Assessment ("ORSA").

In performing the ORSA, the EMT takes responsibility for considering risk, capital and return within the context of the Branch's business strategy on a forward-looking basis. The main elements of the ORSA include the business strategy, an assessment of the risk profile, risk tolerances and an assessment of the Branch's solvency requirements.

The ORSA process performed by the NIA - UK considers all relevant Branch risks and establishes an "own view" of capital requirements for the Branch. These requirements are calibrated to a confidence level not less than 99.5% over a 1-year horizon. The "own view" process first considers all key risks relevant for the Branch and then considers the appropriateness of the Solvency II Standard Formula with regard to its suitability in determining "own view" capital requirements.

Stress testing is also completed regarding the Branch's resilience to withstand both plausible and extreme shocks over the planning horizon. The ORSA forms an integral part of the strategic assessment process and the medium-term planning process by taking a holistic view on relevant risks that threaten the achievement of strategic objectives in relation to future capital needs. NIA - UK monitors risk metrics with a view to ensuring continuous compliance with capital requirements. These metrics are focused on the key drivers of risk and risk capital and allow early identification of any potentially significant capital events.

The EMT directs the ORSA process, determining the selection and calibration of stresses, challenging the results and considering the ORSA report for approval. Key Branch decisions are considered from an ORSA perspective on an ongoing basis.

A diagram illustrating the overall process of the ORSA is set out below:

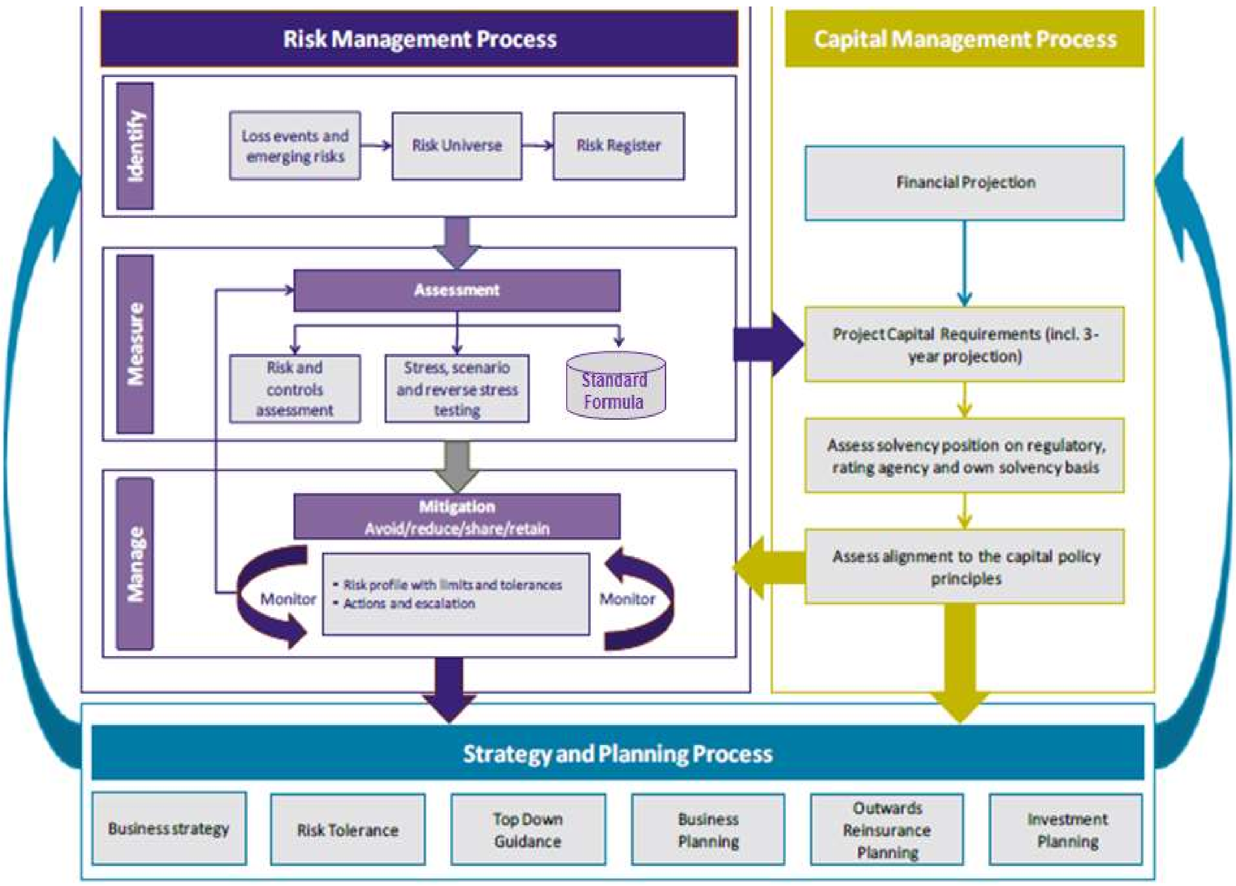


Figure 13

Risk Management Process

Risk management and the processes that form part of it enable the identification, measurement, monitoring and the management of risks on a continuous basis. These processes capture all risks, including those not part of the capital requirement, and enable NIA - UK to understand all risks that it is exposed to at any point in time.

The NIA – UK risk management process consists of the following three elements:

- The continual identification of risks and the assessment of mitigating controls including an assessment of the design and effectiveness of the controls. This also includes an assessment of the likelihood of the risk occurring and the potential impact to the Branch if the event was to occur. This is measured for both inherent and residual risk taking into account the mitigating controls.
- The measurement and the quantification of risks (risk and capital modelling): NIA – UK does this through a combination of modelling techniques, stress and scenario testing and qualitative analysis, using relevant internal and external data.
- The management and monitoring of the risks is used to improve how the business is managed and controlled and allows for the development, modification and delivery of the business plan.

The risk management policy (and associated risk policies) provides background on the key processes that embed risk management into NIA - UK along with setting out and defining each material category of risk.

The risk management process includes the implementation of the Risk Register and demonstrates the link between the identification and assessment of the risks NIA - UK is exposed to, the controls and mitigation actions taken to manage those risks, quantification of the risk profile and monitoring alignment with the desired risk appetite. As well as considering the current position, it also includes the forward-looking risk profile over the three-year business planning period.

Risk Identification and Assessment

Risk Register

The risks faced by NIA - UK and entities are identified and set out in the Risk Register using the following categories:

Category	Description
Risk ID	Unique identifier and risk number
Risk category	Classification of risk
Risk Subcategory	Further classification of the risk category and defines the process risks.
Department	The specific NIA – UK department to which the risk is classified
Risk Description	Description of the risk
Strategic Owner	Individual responsible for strategic goal or objective at risk
Functional Risk Owner	Owner of understanding risk and executing mitigation
Inherent Risk	The risk to the organisation in the absence of controls measured on a likelihood -v- severity score
Current Oversight, Monitoring or Executive Controls	The mitigating controls that are in place to minimise the likelihood or the impact of the risk.
Residual Risk	The risk to the organisation taking into account the mitigating controls. Measured on a likelihood -v- severity score
Risk Impacts	Areas of the business to classify the categories impacted if the risk was to occur including financial, infrastructure, reputational & marketplace
Control Effectiveness	A measurement on the effectiveness of the current controls

Control Gap / Recommendations / Mitigation Measures	Any additional controls that may be required to reduce the risk
Remediation deadline	What is the deadline to implement further remediation controls
Maximum Loss Estimate (MLE)	An estimation of the impact should the risk be triggered measured by financial, infrastructure, reputational and marketplace impact

Emerging risks and loss events

Emerging risks are identified and assessed. Loss and near loss events are also identified. There are separate logs for recording emerging risks and loss events information. One such emerging risk is the future effects of climate change, and the implications for NIA - UK. The physical impact risk of climate change could include the increase in frequency and severity of extreme weather events across the globe which NIA – UK issue policies to protect policyholders against. Examples of specific events which could occur at ever-increasing rates include forest fires, hurricanes, earthquakes, flash floods and rising sea levels. Climate change is a systemic aspect of the changing risk landscape for all businesses and people, clearly insurers serve to indemnify policyholders and are particularly exposed to the potential effects of climate change. NIA – UK plays an active role in the insurance market and adopts best practices in line with its peers in monitoring and managing these risks.

Another emerging risk is the increasing sophistication of cybercrime. This could include penetration attacks of systems or unauthorised access of private data. NIA – UK have provided staff training to enhance cyber security awareness and to prevent security breaches. NIA – UK have renewed our Cyber Essentials certification, and continue to take proactive steps to protect data, to prevent misuse of data, and to secure payment systems. In addition, NIA – UK have recently conducted an audit of Branch IT controls, governance, security, and disaster recovery plans to ensure policies and procedures are in place to deal with disaster scenarios which could arise. NIA – UK continue to monitor developments in the cyber security space.

Risk Quantification

Risks are quantified using 3 tools:

- The Solvency II Standard Formula
- Risk and controls assessment
- Stress and Scenario testing

The Solvency II Standard Formula Model

The Standard Formula model is used to quantify risk and calculate capital requirements. This includes regulatory and business requirements which are used to project capital for future time periods. The risks identified as part of the risk universe are mapped to the Standard Formula which creates a risk profile for NIA - UK.

The Standard Formula is governed by policies and processes to ensure the model is well controlled, appropriately validated, fit for purpose and adequately reflects the risk profile. The model is used to calculate the baseline SCR and 3-year projection of cash flow, balance sheet and Solvency II capital requirements.

The non-quantifiable risks are assessed qualitatively and the explanation of why no capital requirement is necessary is documented in the risk mapping. If the risk is assessed as requiring a capital charge it will be included in the final capital management actions.

Risk and controls assessment

The effectiveness of the controls is assessed using qualitative analysis which evaluates the level of residual risk after the application of the relevant mitigating controls. The emerging risks and operational risk events and near-misses are also tracked as part of risk and controls assessment.

Stress and scenario testing

Stress and scenario analysis are performed annually unless there is a change in the business plan and/or risk strategy. The analysis is used to assess the risk, capital and solvency position under stressed conditions considering a specific event and a combination of events. The stress and scenario tests are specific to NIA – UK's risk exposures and are linked to the risk appetite. The EMT provides input for the overarching scenarios and reviews and approves the results of stress and scenario testing.

The reverse stress test is designed under Standard Formula to identify the most probable stress that NIA - UK could experience which would threaten the viability of its (re)insurance capabilities. NIA – UK considers additional stress scenarios that could be significant to its business, these are detailed in the company's annual ORSA Report. In summary, a few of the stress scenarios selected are set out below:

1. European windstorm events with increased severity driven by climate change
2. Currency appreciation/depreciation of the pound relative to other currencies held,
3. Business interruption losses as a result of cyber (or other) disruptive event,
4. Analysis of costs of placing outwards reinsurance programmes,
5. Reinsurance counterparty default,
6. Business volume growth in excess of business plan targets,
7. Analysis of claims inflation,
8. Analysis of reserve provisions, and
9. Reverse stress test

NIA – UK and its actuarial consultants have defined and used various scenarios and stress test analysis to test the adequacy of the Branch's underwriting risk capital resources. The information below summarises some of the key stresses considered and the impact on underwriting risk capital.

a) Stress Test: European windstorm catastrophe event with increased severity driven by climate change,

Rationale: NIA – UK generally experiences catastrophe losses in line with a 3-year cycle, NIA – UK has had recent exposure to typhoon Jebi, tropical storm Trami and prior to this from Hurricanes Irma, Maria, and Harvey.

This stress modelled two consecutive European catastrophe windstorm events, with increasing severity due to climate change. This stress affected the available cash after paying claims, an increase in counterparty risk due to significant reinsurance recoveries, and future reinsurance purchase costs. It should be noted that the Branch has consistently purchased extensive reinsurance protection and this stress test considered the potential impact of further losses from a windstorm and flood event originating within Europe.

In each stress scenario NIA – UK were able to provide at least a 99.5% level of confidence that policyholder liabilities will be met.

b) Stress Test: Appreciation of the pound against the dollar

Rationale: NIA - UK conducts business in 4 predominant currencies: GBP, USD, EUR, and JPY. NIA – UK has stressed the impact on a deterioration in GBP by way of Sterling appreciation relative to USD held.

The stress demonstrated that there would be deterioration to the own fund position of NIA – UK due to the value of USD denominated liabilities increasing whilst the values of USD assets decreasing. This resulted in a reduced coverage ratio in future years. NIA – UK have already taken proactive steps to improve asset liability matching in respective currencies and will continue to manage currency risk.

c) Stress Test: Sensitivity to selection of best estimate reserve provisions

Rationale: In order to quantify the inherent uncertainty within Best Estimate provisions, NIA – UK have carried out a sensitivity analysis of the reserve provisions.

It could be seen that uncertainty within the reserves demonstrates a range around the selection of best estimate, which has a significant impact both positively and negatively, this is due to the direct impact to the net balance sheet, and underwriting risk components within the SCR.

Increases to the Technical Provision reduce net balance sheet assets and increase both underwriting and operational risks within the solvency capital requirement. It should be noted that NIA – UK take a prudent approach to reserving, booking claims at the maximum probable loss and only releasing overprovisions as and when claims settle. NIA – UK continues to put policyholders first and will ensure that all policyholder liabilities are met in full. NIA – UK have taken proactive steps to ensure provisions are reviewed more regularly, including assessing the impact on available capital.

Should claim provisions be seen to diverge from expectations management will deploy underwriting measures to ensure all policyholder liabilities are met with a 99.5% level of confidence in the next 12 months.

Risk Monitoring and Reporting

Risk Appetite and Tolerance Setting

The Chief Executive, Third Country Branch and Deputy Chief Executive set the risk appetite and tolerance limits that define the amount of risk the Branch is prepared to accept for each of its major risks. This is set out in the Risk Appetite statement and is periodically monitored. Any breaches/near breaches are highlighted and management actions taken in response.

Risk Profile

The output from the Standard Formula is reviewed to monitor whether the probability distributions and SCRs generated, adequately reflect the risk profile of NIA and entities. Deviations against the risk profile and limitations are identified and reported in line with the use of the model.

Risk and controls assessment

The risk and control assessment that forms part of the Risk Register is monitored on an on-going basis and any issues arising are reported to the EMT. This includes reporting of any operational loss and near-miss events. The emerging risks are considered as part of the assessment of the future risk profile.

The Capital Management Process

The assessment of overall solvency needs reflects NIA - UK's view of capital required taking into account risk exposure, risk appetite and business strategy.

To ensure on-going capital adequacy of current and future (3 year projected) capital positions are calculated as part of the capital management process. The capital adequacy will be assessed on each of the bases below:

- Regulatory – Solvency II Capital ratio (i.e. the percentage of eligible own funds to meet SCR)
- Internal Measures – management capital and capital principles

The capital management process is continuous and, in accordance with the Branch capital management policy, the capital requirements of NIA - UK, while being regularly monitored, are fully assessed annually or when a change in strategy, or an event occurs that has the potential to impact NIA - UK's capital adequacy.

Capital Management Policy

The Capital Management Policy sets out the amount of capital NIA - UK needs to hold. The economic capital for the Branch is set with reference to the overarching solvency risk tolerance as agreed by the EMT. Economic capital for the Branch also includes a capital buffer. NIA - UK's target is to hold solvency capital in excess of 110% to ensure policyholder liabilities are met with a confidence level of at least 99.5%.

Capital Assessment

The Standard Formula is used to calculate regulatory and management capital requirements. This includes Standard Formula SCR and forms the basis for management capital. Capital Allocation Ratios ("CARs") are also produced, and these are used to project capital requirements for the future planning period.

The EMT signs-off the Standard Formula results that are used for the capital setting purposes.

Solvency Monitoring

The financial projections are updated where appropriate and include the P&L and balance sheet over 3 years. This data forms the basis of the Standard Formula run and also provides the capital available (own funds) in order to assess the solvency position.

The capital update is undertaken at least annually by the Finance Team to allow for solvency monitoring. The Chief Executive, Third Country Branch and Deputy Chief Executive review this information to monitor the solvency position and risk appetite of the Branch. This process ensures continuous compliance with regulatory capital requirements on an ongoing basis.

Strategy and business planning (business processes)

Strategy and business planning is carried out on an annual cycle. High level strategy is set initially and then detailed planning is carried out in stages throughout the year. The following are examples of these key business decisions.

Strategy

The long-term high-level strategy is reviewed for the coming year considering market conditions and internal and external factors. Any amendments to the overall strategy are agreed by the Chief Executive, Third Country Branch and the Deputy Chief Executive.

Risk strategy and tolerance

The Branch risk strategy sets out the tolerance for each risk and is expressed in terms of risk metrics. These are set by the Chief Executive, Third Country Branch and the Deputy Chief Executive to define the risk profile that the business must operate to.

Detailed business planning exercise

Detailed business planning by class is conducted to refresh the three-year business plan. The next year of business is planned in detail with higher level versions for years two and three. The capital ratio for each class of business is expressed as a percentage of premium (gross of reinsurance and net of acquisition costs) and sets out the capital required based on the plan.

Detailed Outward Reinsurance planning

After the overall business plan is set, detailed planning of the outwards reinsurance to be purchased is conducted. This is considered on an entity basis by the Chief Executive, Third Country Branch, Deputy Chief Executive and Treaty underwriter to manage net risk and to optimise profitability and return on capital. The Branch enhances its risk mitigation insurance programme thereby covering risks by the lines of business and distribution channels. There are different RI programmes bought with different retention limits, which are reviewed periodically by Chief Executive, Third Country Branch and Deputy Chief Executive.

Detailed investment planning

Investment planning is reviewed by the Chief Executive, Third Country Branch and Deputy Chief Executive. The asset mix is managed within the constraints set out to maximise return on capital in line with the approved risk appetite.

Assessment and ongoing compliance of technical provisions

The reserving process is run at least annually and includes the calculation of Solvency II technical provisions.

The Branch has outsourced the supervision of technical provisions to an independent consultant, Dewi James. He is responsible for reviewing the data supporting the calculation of the TPs and for oversight of the detailed calculations which are performed by NIA - UK's actuarial resource. The Branch Solvency and Financial Condition Report is audited by Rel Integral with actuarial expertise from Barnett Waddingham.

Reporting

The ORSA Process is forward looking and therefore an essential input into the production and revision of the strategic direction and business planning for NIA - UK.

The adequacy of capital available is reported by the Finance team to the Chief Executive, Third Country Branch and Deputy Chief Executive.

The annual ORSA report builds on this information and summarises annual risk management activity across the key business processes. The report is submitted to the regulator annually or as required by the regulator.

B.4 Internal Control Systems

B.4.1 Overview

The aim of NIA - UK's internal control system ("ICS") is to create a harmonised, comprehensive approach to risk control across all risk types with no overlaps and no gaps. The ICS focuses on effective identification, analysis and assessment, control, reporting and monitoring of all significant risks.

All risks are managed in the manner set out in the NIA - UK Risk Management Policy.

The Chief Executive, Third Country Branch and Deputy Chief Executive have ultimate responsibility for the governance, and hence risk management of the Branch. They, with the support of the Internal Audit function, have adopted the three lines of defence to carry out this responsibility as summarised in B.1.2.

B.5 Internal Audit Function

B.5.1 Overview

The internal audit function of NIA - UK was outsourced to Haines Watts Controls & Assurance Ltd (trading as "Validera") for 2023/24. Internal auditors independently and objectively review the internal financial control systems for production of valuable management information for the Branch, and control processes surrounding commissions of motor and direct property business during the year ended 31st March 2024. The internal auditors operate in accordance with the NIA - UK Internal Audit Terms of Reference. This allows the Branch access to a wider array of skills to carry out audits of different parts of the business. The Internal Audit Terms of Reference contains the following information on the roles of the internal auditor:

Internal auditors are authorised to:

- Have unrestricted access to all functions, records, property, and personnel relevant to a review.
- Have full and free access to the Chief Executive, Third Country Branch and all Relevant Employees.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of NIA - UK where they perform audits, as well as other specialised services from within or outside NIA - UK.

Internal auditors are not authorised to:

- Perform any operational duties for NIA - UK or its affiliates.
- Initiate or approve accounting transactions outside of the internal auditing function.
- Direct the activities of any Branch employee, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.
- Have direct authority over, or responsibility for, any of the activities reviewed. Management retains full control over the implementation of Internal Audit recommendations.

During 2023/24 internal audit conducted a review of Branch financial controls in production of management information, and a review of the control processes surrounding commission processes, design of internal control systems and effectiveness in practice and the report has not identified any material breaches. The recommendations of this report do not demonstrate any critical findings or high-risk findings given the nature and scope of NIA – UK's operations.

Internal Audit provides the EMT with assurance based on the highest level of independence and objectivity within NIA - UK. This is a higher level of independence than is available in the second line of defence. Internal Audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives. The scope of this assurance, which is reported to the EMT includes the following areas:

- Effectiveness of internal controls with respect to production of financial reports
- Effectiveness of internal controls with respect to commission procedures
- Operational efficiency of internal controls
- Testing systems and procedures
- Reviewing documentation and management information reporting

B.6 Actuarial Function

B.6.1 Overview

NIA – UK benefits from the support of the actuarial expertise provided by Dewi James for purposes of Solvency II regulatory capital requirements and the calculation of both UK GAAP reserves and Solvency II technical provisions.

Dewi James is subject to professional standards set out by the Institute and Faculty of Actuaries ("IFoA") and the Financial Reporting Council.

The actuarial function is kept free of external influence from the EMT, performing all regulated tasks as set out in Solvency 2 Directive: Article 48 and Delegated Acts: Article 272. The actuarial team naturally conduct many other tasks throughout the year. Many of these tasks further the knowledge and involvement of the actuarial team allowing them to fulfil the role of actuarial function more effectively.

The major responsibilities of the actuarial function include:

- Assessing the adequacy of the gross and net held reserves;
- In collaboration with the EMT, assessing the sufficiency and quality of the data used in the calculation of the technical provisions;
- Assisting in the preparation of various financial statements;
- Developing, maintaining, and implementing regulatory capital requirements;
- Providing an opinion on underwriting decisions and pricing; and
- Review of reinsurance arrangements.

B.6.2 Actuarial Contribution to Risk Management

The actuarial function is required to contribute to the effective implementation of the risk management system of NIA - UK, in particular with respect to the risk modelling underlying the calculation of the capital requirements.

This naturally enables a high level of meaningful interaction between the actuarial function and the Chief Executive, Third Country Branch and Deputy Chief Executive. Risk management work is documented in an ORSA report which is produced annually. It is shared with the External Auditors and Internal Auditors.

The actuarial function is responsible for the recommendation of the technical provisions to the Chief Executive, Third Country Branch and Deputy Chief Executive. This is a key part of the overall governance and risk management framework.

Two aspects of NIA – UK's risk management processes are materially dependent on the technical provisions work conducted by the actuarial function, the calculation of the SCR as well as the assessment of own funds in the Solvency II balance sheet.

B.7 Outsourcing

NIA - UK recognises that outsourcing is a key element of its business and that there are associated risks. The Outsourcing Risk Policy covers the NIA - UK's approach and processes for outsourcing from the inception to the end of the contract.

Outsourced functions, services and activities are subject to the ICS framework in the same way as internal activities.

The way in which the requirements set out in the ICS framework are implemented in each area will vary depending on the type, size and complexity of the inherent risks.

B.7.1 Outsourced Functions

NIA - UK has outsourced the following key functions:

- Internal Audit function outsourced to Validera
- Actuarial outsourced to Dewi James
- IT hardware maintenance, email servers and IT Security to Plan- IT
- Investment Management to Investec Wealth & Investment Limited and London and Capital Asset Management Limited
- Underwriting and claims of motor insurance to MGAs, and homeowners insurance through coinsurance arrangements
- Claims handling of direct business are outsourced to claims settling agencies subject to set norms and controls as per the signed binding authority.

The purpose of Outsourcing Risk Policy is to ensure that all outsourcing arrangements involving any material business activities entered into by NIA - UK are subject to appropriate due diligence, formal approval and on-going monitoring and oversight. The EMT is satisfied the outsourced functions do not materially increase risk to the Branch or materially adversely affect its ability to manage its risks and meet its legal and regulatory obligations.

Although outsourcing may result in day-to-day responsibility for a business activity resting with the service provider, NIA - UK remain fully responsible for discharging their respective regulatory and legal requirements and having effective processes to identity, manage, monitor and report risks and maintain robust internal control mechanisms.

Where a key function is outsourced, a NIA - UK employee with overall responsibility, sufficient knowledge and experience is identified to manage the outsourced function and challenge the performance and results of the service provider.

B.8 Any other information

There is no other information to disclose under this heading.

C. Risk Profile

NIA – UK's risk appetite is set to medium to low risk when determining the acceptability and management approach to risk.

NIA - UK will only accept risks appropriate to the scale of its balance sheet and its business objectives within their risk appetite strategy.

NIA - UK continues to manage its business in a sensible, considered, and common-sense manner whilst taking considered and appropriate risks to develop the business and compete successfully against other insurers. Whilst risks developing the business are necessary, NIA – UK does not take unnecessary or poorly judged risks which are not fully understood by senior management. NIA - UK will therefore act with necessary prudence in its business activities and approach.

Key risks for NIA - UK are direct (and reinsurance) underwriting risks, counterparty, catastrophe and currency risks. All of these risks are currently within NIA – UK's defined risk appetite.

The composition of key material financial risk categories NIA – UK is exposed to is provided in the capital break down below, with capital components shown pre-diversification.

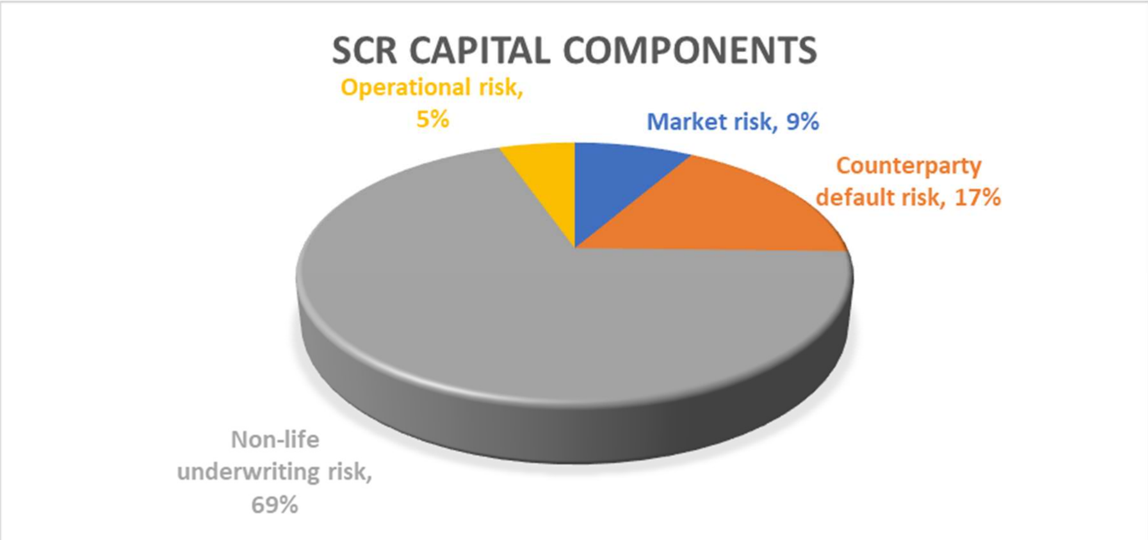


Figure 1

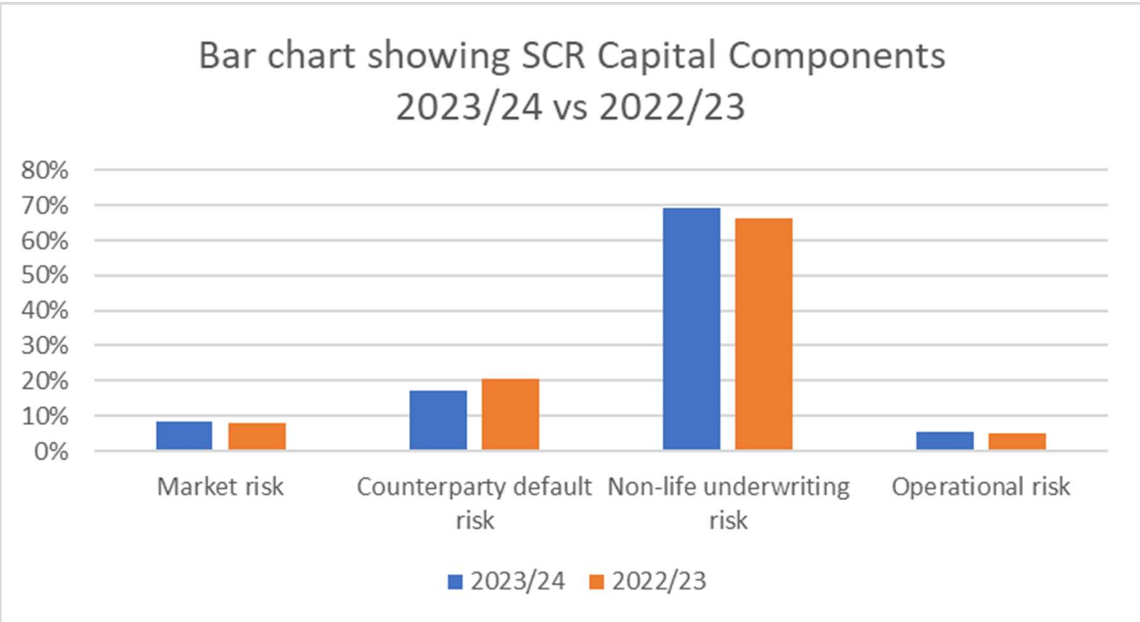


Figure 14

Additional non-financial risks (such as IT / cyber risk, reputational risk, strategic risk) are assessed as part of risk management processes.

NIA - UK has developed and continued to enhance its risk appetite in line with its business strategy during 2023/24.

The risk appetite statements are defined by the Chief Executive, Third Country Branch and the Deputy Chief Executive to set limits on the amount of risk NIA - UK should accept or tolerate during its daily business activities. The risk appetite is directly linked to business strategy and the principal risks to which NIA - UK is exposed. Any changes to business strategy as a result of the strategic review will be reflected in the risk appetite statements as necessary over the planning period. These will be a mixture of quantitative and qualitative measures.

The current risk appetite of NIA – UK is shown below with overarching goals maintaining moderate growth subject to the following categorised risk tolerances detailed below:

Risk Category	Risk Appetite
Non-life underwriting risk	To maintain maximum growth of GWP by 0-3% per year and to ensure that the target combined ratio shall not exceed 100%
Reinsurance risk	Ensure 100% of RI treaty orders are placed by the renewal period, with A-rated reinsurance counterparties, or as specifically agreed by CEO
Counterparty risk	Monitor any divergence from sovereign credit ratings with a view to maintain at least BBB rated counterparties (deposits with banks)
Investment risk	To receive an annual return of 1-5% consistent with an acceptable level of risk as defined in the risk appetite statement
Liquidity risk	Cash available within 10 days from investments and bank deposits/balances to cover 3 months of claims/management costs, and ensure 75% of its assets are in immediately realisable/readily tradable investments and bank balances
Credit risk	Ensure broker payments are recovered within the credit period (up to 90 days) agreed in a timely manner, and to continue to monitor receivables on a monthly basis.
Reserve risk	Always hold adequate reserves in liquid funds to cover the best estimate of unpaid claim liabilities at any point in time.
Solvency ratio	Targeted solvency ratio in excess of 110%
Reputational Risk	No appetite for Reputational risk
Regulatory Risk	No appetite for Regulatory risk

C.1 Underwriting Risk

Non-Life Underwriting Risk (£000's)	2023/24	2022/23
SCR Non-Life Prem/Res Risk	60,168	57,363
SCR Non-Life Cat Risk	40,844	42,161
SCR Non-Life Lapse Risk	4,092	3,499
Sub total	105,103	103,023
Less Diversification	24,271	23,716
SCR Non-Life Risk	**80,832**	**79,307**

Figure 15

Non-life underwriting risks remained largely stable over the past 12 months. However, there was an increase in Premium/Reserve risks due to decreased reinsurance recoverables (i.e. a larger net technical provision) within the technical provisions, reflecting isolated reductions in reinsurance case reserves on a limited number of large losses.

The Non-Life Cat Risk is primarily driven by natural catastrophe exposure. The forward-looking underwriting mix has diversified the geographical exposure and reduced exposure in certain portfolios, resulting in a corresponding decrease in capital requirements.

Lapse risk has increased as a result of increasing profits anticipated within future cashflows within the Technical Provision. Overall, the Branch maintains adequate reinsurance protection, as such these claims have limited exposure for NIA – UK.

For the year 2023/24 NIA – UK will target premium growth between 1-3% considering developments in the reinsurance market, and to ensure that the target combined ratio on a net earned basis should not exceed 99.5%.

Further details can be seen in section D and E of this report.

The Branch achieves this by maintaining a clear underwriting philosophy that is supported by risk appetites set at the aggregate level as well as individual class and per risk, procedures and controls in relation to pricing, rigorous risk selection criteria and the ability to underwrite a diverse range of risks across multiple classes and geographies. The Branch's main risk concentration relates to natural catastrophe exposure in Northern Europe (including UK).

Non-life risk

NIA – UK assesses these risks by having in place ongoing monitoring and exposure management, assessing individual and aggregate exposures. Exposures are assessed and tracked against risk tolerances and against a range of extreme events and stress tests. Furthermore, ongoing reviews of underwriting activities, including quarterly underwriting performance reviews, pricing adequacy reviews and rate monitoring supplement the oversight framework.

The insurance portfolios of NIA - UK are analysed and managed in order to maintain the most accurate and up to date information regarding asset and liability exposures, in particular with a focus on receiving suitable data to value the future premiums and technical provisions. This analysis enables efficient planning and successful implementation of relevant management actions when needed to value and control the exposures.

The Non-Life Standard Formula for NIA - UK allows for risk mitigation through reinsurance and retrocession programmes. Key features of the reinsurance programme are mentioned below.

- NIA - UK has an enhanced risk mitigation insurance programme which covers risks by the lines of business and distribution channels. There are different reinsurance programmes for the direct business each with different retention limits.

- The Retrocession treaties operate in different territories covering the exposure due to Facultative and Treaty business written worldwide.

Current oversight, monitoring and executive controls

Underwriting risk is monitored based on various policies and procedures related to insurance underwriting, reserving and claims. Executive management oversight of controls is achieved via assessment of controls such as:

- Monitoring of attrition rates, conversion rates, retention rates for reinsurance business - both policy numbers and premium
- Monitoring of target price realisation ratios
- Volatility in insurance portfolio, deterioration in performance of the account to be analysed for pricing adequacy
- Reinsurance business - principles for lead/follow pricing defined and documented
- Determining factors, considerations for discretionary decisions etc to be included in underwriting - pricing policy
- Actuarial assessment of the adequacy of claims reserves including claims reported/not yet reported to ensure adequate reserves and capital for insurance portfolio and insurance risk management
- Variations from the business plan are analysed and monitored to mitigate the effect of fluctuations against plan
- Review and monitoring of outstanding claims
- Large loss management review
- Reinsurance recoveries follow-up

C.2 Market Risk

Market risk refers to the uncertainties arising from market movements a Branch may be exposed to in relation to fluctuations in the value of its assets, the amount of its liabilities, or the income from its assets.

The Market risks that the Branch believes it is exposed to are recorded in the Risk Register, and include risks relating to:

- Changes in interest rates which cause the value of future unpaid liabilities to increase, or for the value of assets held (subject to interest rate risk) to decrease. For NIA – UK this is largely due to the value future unpaid claims increasing as most assets are held in fixed deposits.
- Changes in the value of financial market instruments (such as bonds and other financial instruments) including those resulting from changes in credit spreads, and
- Exchange rate movements.

The Branch's market risk exposure for 2023/24 is indicated below:

Market Risk (£000's)	**2023/24**	**2022/23**
SCR Interest Rate	7,710	7,102
SCR Spread	257	267
SCR Equities	-	-
SCR Currency	4,079	4,811
SCR Property	31	26
SCR Concentration	484	638
Sub total	12,561	12,845
Less Diversification	2,819	3,152
SCR Market Risk	**9,743**	**9,693**

Figure 16

During 2023/24 there continued to be small increases to interest rates driven by continued macroeconomic pressures, as a result risk free discount rates increased relative to the prior year, and the increasing SCR Interest Rate risk reflects this volatility applied to a larger net reserve provision.

NIA-UK continue to be exposed to currency risks, which are actively monitored with the aim of matching assets and liabilities in respective currencies. Currency risk arises for NIA – UK as reinsurance business is transacted in many underlying currencies, when premiums are received, they are converted by our bank counterparties to either GBP, EUR, USD at the prevailing exchange rate on that day. When claims are paid at a later date, these same currencies are converted back to the currency in which the policyholder purchased a reinsurance contract in order to settle the liability. This gives rise to exchange gains and losses depending on global rates as liabilities fall due, and the currency risk arises where there is a mismatch of assets and liabilities in underlying transaction currencies.

During 2023/24 NIA – UK continued to match assets and liabilities in respective currencies thereby reducing currency risks compared to 2022/23 (see figure 16 above).

NIA - UK holds significant assets in money market instruments with no exposure to market value volatility albeit subject to credit risk which is monitored by NIA – UK.

The money market instruments are cash accounts with the majority held in Indian banks based in the United Kingdom. These accounts are denominated in Sterling, Dollars and Euro with the purpose of paying claims in the required currency based on regional exposure shown in £000's.

Assets held in (£000's)	**2023/24**	**2022/23**	**Change**
Cash and Deposits	288,728	298,696	- 9,967
Government Bonds	23,628	22,050	1,578
Corporate Bonds	6,038	6,688	(650)
Total	**318,394**	**327,433**	**- 9,039**

Figure 17

NIA – UK's Investment Committee reviews, at least annually, the investment strategy which is based on four key principles:

1. Preservation of capital;
2. Increase surplus;
3. Maintain liquidity; and
4. Optimise after tax total return on investments, subject to (1) - (3) above.

NIA - UK considers market risk in conjunction with liquidity risks (Section C4 below) and has developed a strategy to ensure that the Branch can pay its liabilities, including day-to-day cash requirements. NIA - UK aims to achieve this objective by holding investment asset types with highly secured, good quality and liquid nature such as cash and high rated bonds, where appropriate, so that NIA - UK can minimise investment credit risks and liquidity risks and focus its risk management activities to risks resulting from the movements in interest rates and exchange rates.

NIA - UK also seeks to balance the objective of minimising liquidity risk with the objective of obtaining appropriate returns and asset mix given the liabilities. Note that NIA - UK does not create segregated portfolios for asset liability management. Instead, NIA - UK aims to manage risks arising from assets and liabilities in a coordinated manner on the whole portfolio. Further objectives of the market risk strategy include managing and controlling risk accumulations within tolerable limits by following risk appetite statements, thereby protecting NIA - UK's capital base and avoiding excessive volatility of the Branch's profits.

Current oversight, monitoring and executive controls

Executive Management has executed the following monitoring controls regarding market risks

- Provisions are monitored and made for increases in inflation where necessary,
- Investments in fixed deposits with regulated banks,
- Investments in A+ rated corporate bonds and government gilts,
- Not investing in equities, and
- Regular monitoring of changes in financial markets.

C.3 Credit Risk

Credit risk is the risk of loss or of adverse change in NIA - UK's financial situation, resulting from fluctuations in the credit standing of counterparties and any debtors to which NIA - UK is exposed. It includes concentration risk where a significant reliance is place on any counterparty (counterparty type 1 risk). For NIA – UK type I counterparties include banks and reinsurance counterparties, the decrease in type I charge resulted from increasing fixed deposit holdings with A-rated banks for the period 2023/24 compared to 2022/23.

Credit risk is assumed whenever NIA - UK is exposed to a loss if another party fails to perform its financial obligations to NIA - UK, including the failure to perform them in a timely manner (counterparty type 2 risk). For NIA – UK type II counterparties relate to contractually overdue debtors, this charge increased marginally due to contractually overdue debtors amounts increasing during 2023/24 compared with 2022/23.

Counterparty Risk (£000's)	2023/24	2022/23
SCR Counterparty Type 1	19,392	24,145
SCR Counterparty Type 2	637	317
Sub total	20,029	24,462
Less Diversification	155	78
SCR Counterparty Risk	**19,874**	**24,384**

Figure 18

Counterparties include cedants/brokers, reinsurers, bond issuers and banks with whom we keep our cash balances. There have been no material changes in these assessment measures or in the concentrations and mitigations over the reporting period.

NIA - UK maintains a diversified strategy resulting in the spread of funds over multiple banks and the process of monitoring and reporting cash position to the Head of Third Country Branch.

The Branch continues to seek to reduce counterparty risk by transferring cash from "BBB" rated banks to higher rated banks or bonds which meet investment guidelines whilst meeting investment target.

Concentration Risk refers to the risk arising from a lack of diversification by being exposed too heavily to a single counterparty. NIA – UK has established a diversified portfolio in order to manage counterparty risk.

Current oversight, monitoring and executive controls

The Branch is exposed to the following credit risks:

- Risk related to reinsurance company insolvency (resulting in delayed or failed recoveries)
- Third party credit risk materialised due to non-performance of contractual payment obligations

The Branch has put the following controls in place to manage those risks:

- Proactive claims recovery process
- Regular review of credit ratings of counterparties

- Credit collection procedures including continuous follow-up with brokers
- Vetting of reinsurers and minimum credit rating requirements
- Funds are well spread and no collateral assets held.

C.4 Liquidity Risk

Liquidity risk refers to the risk that the Branch, although solvent, does not have sufficient financial resources available to meet its obligations when they fall due, or is able to meet its obligations only at an excessive cost.

As the majority of NIA - UK's assets are held in short term deposits, the EMT believes liquidity risk to be easily manageable. Liquidity risk monitoring and cash flow forecasting is a key management tool that is performed on an ongoing basis through monthly cash reports.

Stress and scenario testing
NIA – UK has carried out stress and scenario testing as part of its approach to managing liquidity risk. Results have been reviewed by the EMT. NIA - UK does not consider liquidity to be a material risk for the Branch. In addition, throughout the COVID-19 pandemic, the liquidity of NIA - UK has remained at adequate levels. NIA - UK does not expect any liquidity concerns in the near future.

Prudent person principle applied to liquidity risks
The investment assets are prudently invested taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities. NIA - UK manages its liquidity risk by maintaining a diversified liquid investment portfolio fit to it business model.

Expected profit included in future premiums

Expected profits included in future premiums (EPIFP) result where there is an expectation of future profit within technical provisions. As at 31st March 2024, the Branch total EPIFP is £10.2m i.e. future claims plus expenses are lower than future premiums net of reinsurance within technical provisions.

C.5 Operational Risk

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, including Legal, Strategic and Reputational risks.

The Operational risks that the Branch believes it is exposed to are recorded in the Risk Register. Not all of NIA - UK's risk exposures are included in the current capital calculation by holding capital. For example, risk exposures associated with reputation, strategic or regulatory are mitigated through a combination of reliance on internal controls, monitoring of the risk management framework and future management actions. Risks which are not considered in the capital calculation are not material.

Operational risk within NIA – UK considers amongst other risks the following key areas:

- Regulatory and legal risks - the risk of legal or regulatory sanctions or loss caused by a failure to comply with applicable laws, regulations, internal policy and standards of best practice;
- Financial crime, including internal and external fraud – this is the risk that the Branch might be used to further financial crime;
- Financial and accounting – these are the risks associated with financial reporting and integrity of the financial information;
- People risk – this is the risk that people do not follow NIA - UK's procedures, practices and/or rules, thus deviating from expected behaviour in a way that could damage the Branch;
- Business continuity management – the risk associated with the failure to appropriately manage unforeseen events;
- Cyber/ IT system failures;
- Model risk; - the risk that the output from the models used by NIA - UK is incorrect or flawed due to errors in the design or operation or management's failure to understand the limitations in the output of the models;

- Outsourcing; failures relating to the outsourcing of key activities; and
- External events and other changes; failure to react to changes in the external business environment.

Executive management identify the key risks, causes and consequences together with relevant mitigating controls, within their function/ span of control, on an ongoing basis.

The results of the assessment are recorded in NIA - UK's Risk Register and reviewed by EMT and the Compliance team.

NIA – UK maintains an Operational Risk policy that sets out the approach to mitigating risks arising from Operational Risks. NIA – UK has no appetite for behaviour at any level which could compromise the effective operation of the business model, whether through inadequate or failed internal processes, failure of systems or poor capability of staff.

During the initial phase of the 2020 COVID-19 pandemic the business continuity plan was tested with staff being able to continue business as usual with minimal disruption with staff working remotely. Since then, NIA – UK have adopted a hybrid working environment ensuring the safety of its staff whilst continuing to serve its customers.

Key Controls
Key controls that aid in mitigating this risk include (but not limited to):
- Executive Management oversight;
- Policies and procedures;
- Service level agreements for outsourcing services; and
- Purchase of insurance; and
- Underwriting audits performed by internal audit.

NIA - UK does not have any material concentrations of operational risk.

C.6 Other Non-material Risks

Other non-material risks are as below:

C6.1 Emerging Risks

NIA - UK defines an emerging risk as a risk that is believed to have the potential to have a significant impact on the Branch and is newly developing or changing and hence, due to a lack of information, is difficult to quantify. As such, this emerging risk will not be allowed for in historical insurance terms and conditions, historical pricing, reserving and capital setting. These include:

- Underwriting and reserving risks, for example, new types of latent claim or new court rulings.
- Market Risk, for example severe global economic downturn.
- Liquidity Risk, for example as above.
- Operational risks, for example impact of developing regulatory framework e.g. new Prudential Regulatory Authority.

As new and emerging risks can come from a wide range of sources risk owners are assigned throughout NIA – UK. These risk owners are responsible for identification of new and emerging risks relevant to NIA – UK and to assess the implications to the business.

The risk owners maintain a watching brief on new and emerging risks throughout the year, which may include:

- Considering trends in the external environment.
- Attending industry discussion groups.
- Brainstorming sessions with the Risk Committee.
- NIA - UK staff and internal audit raising issues with the relevant risk owner.

- Via a review of qualitative reverse stress testing results, which helps determine additional key risks that would have a material impact on the business.

Once identified emerging risks are initially assessed to determine their significance to the business and stakeholders (both internal and external); potential impact and likelihood to materialise. In addition, the executive management team considers the assessment of correlations with other risks and in relation to NIA - UK's strategy and objectives. The scenario analyses performed will be based on the most severe but plausible worst cases NIA - UK could face and take into account any second order effects that may arise.

Any new or emerging risks are then tabled at the quarterly EMT meetings to ensure that all risks are captured and appropriate response strategies are put in place. Any new or relevant emerging risk is added to NIA - UK's Risk Register and, if applicable, the response strategy is recorded in the Risk Reduction Plan. NIA - UK can decide to accept the risk, monitor the risk or respond to it through mitigation or leverage actions. The risk response depends on NIA - UK's risk appetite, impact of the risk assessment on NIA - UK's risk profile including any opportunity potential.

C.7 Any other information

As at 31st March 2024 NIA – UK have opened letters of credit ("LCs") of £25.6m where required due to mandatory regulatory compliance in respective countries. These LCs are regularly moderated in accordance with the corresponding accounts.

NIA – UK does not consider there is any other material information to disclose on its Risk Profile.

D. Valuation for Solvency Purposes

Solvency II Balance Sheet as at 31 March 2024

Basis of preparation

NIA - UK's Solvency II balance sheet is prepared as at 31st March 2024. The balance sheet is prepared in compliance with the Solvency II Regulations.

The preparation of the balance sheet in accordance with Solvency II requires the use of estimates and assumptions. It requires a degree of judgement in the application of Solvency II principles described below.

Valuation differences between the Solvency II and UK GAAP balance sheets.

Solvency II requires a hierarchy of valuation methods to be applied to value assets and liabilities on the Solvency II balance sheet, as set out below:

1. The use of quoted market prices in active markets for the same assets or liabilities.
2. Where the use of quoted market prices in active markets for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities are used, with adjustments made to reflect factors specific to the asset or liability.
3. Where the criteria above are not satisfied, alternative valuation methods are used, which make maximum use of relevant market inputs (adjusted for factors specific to the asset or liability under valuation). To the extent that observable inputs are not available, use is made of unobservable inputs reflecting the assumptions that market participants would use (including assumptions about risk in the valuation technique).

NIA - UK considers its policy on the fair value of investments to be consistent with the hierarchy of valuation methods required for Solvency II.

NIA - UK's investment portfolio as at 31st March 2024 contains only investments that are valued at fair value. There are accordingly no differences in valuation relating to financial investments between NIA - UK's Solvency II and UK GAAP balance sheets, with the exception that the value of investments in the Solvency II balance sheet includes interest accrued since the last coupon payment, compared to the presentation in financial statements which is accounted for separately within accrued interest.

NIA - UK defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between willing, able and knowledgeable market participants as at the measurement date, for bonds this would be the mark to market value.

Unless otherwise stated, the Branch's valuation principles have been consistently applied to all the periods presented.

The Solvency II balance sheet is presented in GBP, being the Branch's presentational currency. The Branch operates in the three main currencies of GBP/EUR/USD. All transactions in currencies different from GBP are translated into GBP at the actual rate prevailing on the date of transactions. Assets and liabilities resulting from transactions denominated in foreign currencies are translated at the local closing exchange rate.

For valuation of financial investments instruments, NIA - UK uses the investment managers: Investec Wealth & Investment Limited and London & Capital, although it maintains the responsibility that the methodology used and information provided by the investment managers meets the objectives of fair value determination.

D.1 Assets

The table below summarises for each material class of assets, the value of the assets of the Branch according to Solvency II provisions together with the values of the assets recognised and valued on a Branch accounting basis as at 31st March 2024, shown in £000's.

	Solvency II value	Branch management accounts value	Change
Assets	C0010	C0020	
Deferred acquisition costs	-	12,957	(12,957)
Deferred tax assets	-	-	-
Property, plant & equipment held for own use	124	124	-
Investments (other than assets held for index-linked and unit-linked contracts)	239,286	232,806	6,480
Bonds	29,666	29,389	277
Government Bonds	23,628	23,376	252
Corporate Bonds	6,038	6,013	25
Deposits other than cash equivalents	209,620	203,417	6,203
Reinsurance recoverables from:	27,457	46,637	(19,181)
Non-life and health similar to non-life	27,457	46,637	(19,181)
Non-life excluding health	27,457	46,637	(19,181)
Insurance and intermediaries receivables	707	22,811	(22,103)
Receivables (trade, not insurance)	2,430	2,430	-
Cash and cash equivalents	79,108	79,107	1
Any other assets, not elsewhere shown	301	7,381	(7,080)
Total assets	349,414	404,254	(54,840)

Figure 19

There is no structural mismatch between assets and liabilities. The line of business written by NIA - UK are predominantly short tailed. The assets held are invested in cash and bonds, which are generally accepted assets to back those liabilities. To any extent that currency and duration is mismatched, we believe it has been adequately assessed in the appropriate risk modules of standard formula. There are no relevant risk-mitigating techniques, such as derivatives, used by NIA - UK on asset-liability management. Further details of valuation differences between UK GAAP and Solvency II can be found in section E.1.4.

D.1.1 Financial Assets

Basic financial assets, including trade and other receivables, cash and bank balances, bonds and similar debt instruments are recognised at fair value.

Financial assets are derecognised when:

(a) the contractual rights to the cash flows from the asset expire or are settled; or

(b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or

(c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

D.1.2 Deferred Acquisition Costs (DAC)

UK GAAP value of £13.0m of DAC is valued at nil as per SII guidelines.

D.1.3 Deferred Tax Assets

The Branch does not have a Deferred Tax Asset as at 31st March 2024, please refer to section D.3.3 for further information regarding the Deferred Tax Liability.

D.1.4 Fixed Assets (Property, Plant & Equipment)

Property, plant and equipment of £123.9k is stated at cost less accumulated depreciation and impairment losses which approximates market value.

D.1.5 Investments

Valuations are based on quoted prices that are readily and regularly available in an active market, hence valuation of these instruments does not entail a significant degree of judgement.

NIA - UK's main assets are held in deposit other than cash equivalents of £209.6m followed by a significant amount in cash and cash equivalent of £79.1m. The Branch showed a slight increase in uts fixed income instruments of £29.7m for 2023/24 owing to the strengthening yields available during the year. The current holding of £29.7m in fixed income instruments is within NIA - UK's agreed capacity of £30.0m. Accrued interest of £6.4m related to fixed deposits and bonds is included in the Solvency II market value, whereas this is shown separately for UK GAAP accounts.

NIA - UK has no investments in equities as currently the Branch has no appetite for equity risk.

D.1.6 Reinsurance Recoverables

Standard actuarial techniques are used to model the best estimate liability gross of reinsurance, as well as the reinsurance recoverables resulting in a best estimate liability net of reinsurance ("BEL"). For the determination of recoverables from reinsurance contracts an adjustment is made to reflect the remote possibility of a counterparty default in line with the standard default rate tables prescribed by regulation, which the company considers to be a reasonable basis.

On a Solvency II basis, the reinsurer share of TP is £27.5m whereas on a GAAP basis the amount is £46.6m. The difference between the two values reflects the cash flows which each of these items represent under Solvency II versus UK GAAP, namely that under UK GAAP the focus is purely on monies due to NIA - UK in respect of claims recoveries, whereas under Solvency II we have also includes the cost of the future reinsurance protections – money which is payable from NIA – UK to reinsurers. This is discussed further in this report in section D.2.

D.1.7 Insurance Receivables

Insurance receivables are recognised when due. These include amounts from agents, brokers and insurance contract holders. Receivables are recognised at the amount expected to be received when due.

The presentation of (re)insurance receivables on the Solvency II balance sheet differs from Branch financial statements, since (re)insurance receivables for financial reporting purposes included accrued premiums which are included in Technical Provisions in the Solvency II Balance Sheet. Only contractually overdue items are considered as (re)insurance receivables on the Solvency II balance sheet. For further details, please see section D.2.

D.1.8 Receivables (trade not insurance)

There are no material differences between the bases, methods and main assumptions used by the Branch for the valuation of other assets for solvency purposes and those used for their valuation in financial statements.

D.1.9 Lease Assets

There are no lease assets.

D.1.10 Valuation of Participations

The Branch owns no subsidiary companies or participations.

D.1.11 Any other assets not shown elsewhere

Accrued interest of £6.4m is removed from the UK GAAP assets and included within the market value of fixed deposits and bonds for Solvency II.

Deferred unearned premium of £0.6m shown under UK GAAP is removed from other assets as it is considered within the Solvency II Technical Provisions.

D.2 Technical Provisions

General Principles

NIA - UK holds Technical Provisions to represent the current amount a (re)insurer would have to pay to transfer of its obligations to another (re)insurer. This therefore represents the amount of money NIA - UK holds in reserve for claims and premiums for policies. The Technical Provisions are comprised of two key elements: the best estimate liability and the risk margin.

The calculation of the best estimate liability is based upon up-to-date reliable information and realistic assumptions. The cash-flow projection used in the calculation includes all the cash in- and out-flows required to settle the insurance and reinsurance obligations over their lifetime, whilst taking into account all bound but not incepted business ("BBNI") as at 31st March 2024, and legally obliged reinsurance contracts in effect between 31st March 2024 and 2024.

The best estimate liability gross of reinsurance is modelled, together with the associated reinsurance recoverables. In determining the level of recovery from reinsurance contracts a provision is made for remote possibility of a counterparty default. The parameters used to compute the theoretical default risk are prescribed in the regulations and considered to be reasonable by NIA - UK. The best estimate liability is calculated using standard actuarial methodology with method selection varying according to class of business, loss category and age of development. The two key assumptions feeding into the BEL outputs are the claims development pattern and initial expected loss ratio ("IELR"). Consideration is given to adding in further loads for Events Not in Data ("ENIDs").

Each class of business has been segregated into homogeneous risk groups with projections carried out in respect of each class to consider all cash in-flows and out-flows discounted as at the year end.

The risk margin is defined as a margin in addition to the expected present value of liability cash flows required to manage the business on the basis of transferring the liabilities to a willing buyer in an arms' length transaction. It is calculated as the present value of the cost of future economic capital requirements for non-hedgeable risks. That is the risk margin represents an allowance for the cost of capital necessary to support the policies NIA - UK is obligated to at the valuation date over their lifetime. It is calculated by taking 4% of future capital requirements attributable to the policies and discounting back to the relevant balance sheet date using risk free discount rates. For this purpose, NIA – UK adopts the standard prescribed methodology.

The preparation of NIA - UK Solvency II Technical Provisions has been supervised by Dewi James and primarily produced by NIA – UK actuarial resource in accordance with the applicable principles of Technical Actuarial Standards ("TAS") 100 and TAS 200 as issued by the Financial Reporting Council.

Technical Provisions split by Solvency II class

A breakdown of the gross Technical Provisions, split by Solvency II reporting class as at 31st March 2024 is given below, shown in £000's.

SII Line of business (£000's)	Gross Best Estimate (1)	Net Best Estimate (2)	Risk Margin (3)	Net Technical Provision (2) + (3)
Motor Vehicle Liability Insurance	67,409	64,488	1,953	66,441
Other Motor Insurance	4,788	4,463	139	4,602
Proportional Fire & Other Damage to Property	37,887	31,167	1,098	32,265
General Liability Insurance	17,321	17,310	502	17,812
Non Proportional Property Reinsurance	80,406	62,924	2,329	65,253
Total	207,810	180,353	6,020	186,373

Figure 20

The best estimates are calculated at reserving classes as per UK GAAP. The reserves are then mapped into Solvency II classes. The bases, assumptions and methodologies used by UK GAAP and Solvency II valuations are consistent with each other.

The Motor Vehicle Liability, Other Motor Insurance and General Liability Insurance classes of business directly map to the UK GAAP reserving classes and are all in GBP as they relate to the Ipswich business.

The motor premiums must be split for reporting purposes and the premiums are allocated in line with ultimate claim amounts for liability and own damage components.

Ipswich Property maps directly into Proportional Fire & Other Damage to Property and is also all in GBP.

London Direct & Facultative and London Treaty classes have been split between the two Solvency II classes; Proportional Fire & Other Damage to Property and Non-Proportional Property. The allocation is based on the proportion of the gross outstanding claims reserves.

The London business has also been split by currency. In order to apply the relevant yield curve for discounting of the claims provision, for both the outstanding claims and IBNR, the segmentation by currency is based on the amount of outstanding claims denominated in each currency. For the premium provision, the allocation is based on the proportion of each currency of the gross unearned premium.

The base methodology for calculating the losses on earned exposure is the same as is carried out for UK GAAP calculations.

Anticipated claims on the unearned exposure are calculated by applying the most recent earned years' UK GAAP ultimate loss ratios (by reserving class) to the unearned business premium. For the London business, we also allow for an average loss ratio for potential Catastrophe claims. This approach is in line with the approach used last year. NIA - UK monitors the emergence of inflation on a regular basis and will adjust technical provision assumptions to allow for unusual claim patterns if required.

Bound but not incepted ("BBNI") business has been projected in line with the recent underwriting/accident year UK GAAP ultimate loss ratios for London/Ipswich business respectively.

NIA – UK includes provisions for the cost of its reinsurance protections within its computation of Technical Provisions. This includes an allowance for the anticipated cost of reinsurance on unearned business. Future reinsurance costs have been allowed for in terms of premiums/costs to be paid and a modest level of reinsurance recovery is anticipated on these future reinsurance premiums.

Another area in which the Technical Provisions deviate from the UK GAAP provisions is in the inclusion of a provision for events not in the data ("ENID"). For the claims provision (excluding general liability), this is calculated using a scenario-based approach. For the premiums provision (and the claims provision on general liability), this is calculated using a truncated log-normal distribution based on number of exposure years, which was judgmentally selected for each Solvency II line of business.

The Solvency II expenses are derived from historic expense figures. An expense amount was taken forward as an annual provision and scales down in line with the run-off of the claims reserves.

The risk margin was calculated in line with the cost of capital principles described earlier. The allocation by line of business was calculated by allocating the risk margin in line with the Best Estimate of Liabilities. The same methodology was used last year.

Technical Provisions are all non-life. There is no Life Technical Provisions relating to Periodic Payment Orders or "PPOs". The table below summarises the Branch's liabilities under Solvency II as at 31 March 2024, shown in £000's:

	Solvency II value	Branch management accounts value	Change
Liabilities	C0010	C0020	
Technical provisions - non-life	213,830	270,602	(56,773)
Best Estimate	207,810	270,602	(62,793)
Risk margin	6,020	-	6,020
Deferred Tax Liabilities	-	-	-
Insurance & intermediaries payables	-	6,314	(6,314)
Payables (trade, not insurance)	4,277	4,277	-
Total liabilities	218,107	281,194	(63,087)

Figure 21

Uncertainty Associated with the Value of Technical Provision

The main sources of uncertainty in the valuation of the Technical Provisions are:

- Provisions for the different segments of the UK motor portfolio are established under two main claim-type sections, namely claims relating to property damage and claims relating to third party bodily injury. Bodily injury claims present the highest level of risk, this is because the claims are relatively infrequent and in the unlikely event of a severe injury (e.g. brain injury or major spinal damage), the cost of compensation can be substantial and may take several years to establish quantum. The drivers of risk in this context are well understood by the NIA – UK claims team, who give clear instructions to the various providers of claims management services, which encapsulate NIA - UK's extremely low appetite for seeing substantial increases on case reserves once they are first established. Within the context of the actuarial reserving exercise, the uncertainty in the estimates arises primarily through the parameterisation of the "tail" factor for bodily injury claims. The tail factor is an assumption which captures the likely further development of claims beyond the latest observation point in the data. The conservative stance taken on provisioning for claims at an early point in their development reduces the tail-dependency and in addition the risk transfer in place (a mixture of proportional and excess of loss cover), further ameliorates the financial risk posed by a severe trauma injury.

- NIA - UK's reserving classes are not designed to be specific Solvency II segments. In particular, the segmentation of property business has been split into proportional (re)insurance and non-proportion reinsurance based on the outstanding claims amounts. The approach used to allocate reserving classes to Solvency II segments is considered appropriate, but the use of the allocation assumption introduces some uncertainty to the technical split of provision estimates.

- In order to apply relevant yield curves for discounting purposes, the claims and premium provision have been segmented by currency. On the claims provision, for both the outstanding claims and IBNR, the segmentation by currency has been determined based on the size of outstanding claims denominated in each currency. On the premium provisions, the size of the gross unearned premiums in each settlement currency is used to determine the relevant yield curve for discounting. Whilst the approach used to derive an overall yield curve for a given Solvency II segment is considered appropriate, the use of assumptions in this derivation adds uncertainty to the technical provisions estimates. The degree of uncertainty associated with this part of the reserving process is relatively small.

- There is uncertainty in the level and timing of future cash flows. The actuarial methods used within the UK GAAP reserve review make use of historical data and effectively smooth out historical peaks and troughs. In cases where the historical data is not representative of the current portfolio, then professional judgement is applied in specifying the cash flow pattern. Examples of sources of uncertainty include changes in the social, economic or technological environment, legal changes, and other sources of inflation. The impact of cashflow uncertainty is only an important consideration for the longer tailed categories of business of which there are relatively few within the portfolio.

The UK GAAP reserves are adjusted in the following manner to convert to a net Solvency II basis as at 31st March 2024:

Waterfall chart mapping net Technical Provisions under UK GAAP to net Technical Provisions on a Solvency II basis, shown in £000's:

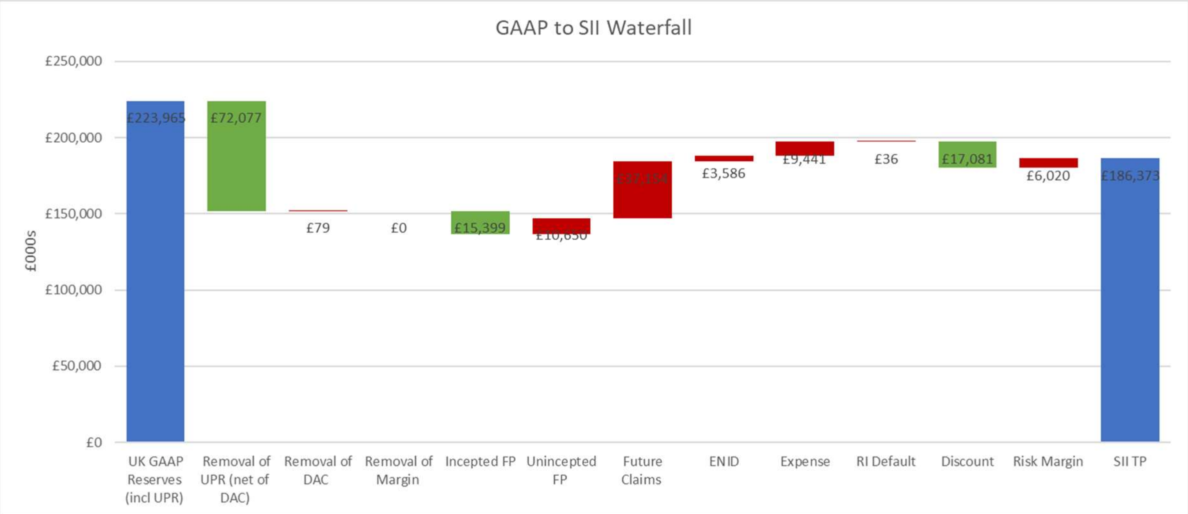


Figure 22

The chart explains the conversion from a GAAP basis to the Solvency II basis. The main differences are as follows:

- Unearned premium reserve of £72.1m (i.e. £72.0m - £78.9k in above chart) is deducted from the UK GAAP reserve.
- £15.4m credit for future premium receipts from premiums written at the valuation date. Of which -£4.1m are related to BBNI.
- £37.2m has been included to allow for the premium provision on claims which incorporates the losses on unearned exposures.
- A £3.6m loading to the best estimate to allow for ENIDs. For the claims provision this is calculated using a scenario approach. For the premiums provision this is calculated using a truncated log-normal distribution based on number of exposure years, which was judgmentally selected, taking into account that the nature of the portfolio is believed to be reasonable.
- £9.4m allowance for expected management, acquisition and claims handling expenses (Solvency II expenses) to settle implied claim obligations (including in respect of unearned business).
- £0.04m allowance is made for credit risks in respect of counterparty default through a reinsurance bad debt reserve.
- £17.1m adjustment made to the net Technical Provisions in respect of discounting. All cashflows are discounted back to the valuation date using published discount curves as at 31st March 2024 published by PRA.
- A risk margin of £6.0m is added. This is intended to be equal to the amount of funds over the best estimate Technical Provisions required by a knowledgeable third party to assume the insurance obligations of an undertaking in an arm's length transaction because of the uncertainty affecting the cashflows.

Other notes regarding the Technical Provisions

The following are not applied by the Branch:

- The volatility adjustment referred to in Article 77d of the Directive.

- The transitional risk-free interest rate-term structure referred to in Article 308c of the Directive; and
- The transitional deduction referred to in Article 308d of the Directive.

Simplifications in the Calculation of the Technical Provisions

Gross Technical Provisions

- Cashflow projection used in the calculation of the best estimate adheres to cash flows outlined in Article 28.
- Cashflows within the Technical Provisions are assumed to follow a uniform basis across the year and are therefore on average the payment will be made mid-way through the year. Cashflows in respect of claims provisions are assumed to occur mid-way through the year, and cashflows in respect of premium provisions are assumed to occur mid-way through the following year owing to the inherent lag of claims in respect of earned and unearned business. Respective cashflows are therefore discounted accordingly.

Risk Margin

- The risk margin calculation is only intended to estimate the risk margin for Non-life business as per the Delegated Acts.
- A 4% cost of capital is applied as outlined by the Amendment of Commission Delegated Regulation (EU) 2015/35, Article 39.
- We have applied simplified approach outlined by Article 58 of the Delegated Acts. NIA - UK is responsible for ensuring that the simplified approach is appropriate for its business.
- Catastrophe risk charge does not extend past the first year i.e. payment for everything is due within 1 year as policies are assumed to be 1 year, and therefore future year risk margin does not include catastrophe risk.
- Lapse risk charge does not extend past the first year i.e. payment for everything is due within 1 year as policies are assumed to be 1 year, and therefore future year risk margin does not include lapse risk.
- The premium is assumed to be earned after one year. Therefore, the risk margin after one year does not include premium risk.
- Risk margin assumes one year off on unearned premium reserve.
- There is a difference in the premium volume measure used in the Non-life Premium Risk and risk margin. All future premiums are included in the Premium Risk calculation regardless of whether they have been bound or not. However, in relation to the risk margin, only bounded future premiums are included. This means that earned premiums from business written during 2024 financial year (i.e. 1 April 2024 to 31 March 2025) will not be included in the Premium Risk volume measure for risk margin.
- The run-off of the net Technical Provisions is assumed to reasonably represent the run-off of the reserve risk.
- Cashflows of the Technical Provisions are assumed to follow a uniform basis across the year and are therefore on average the payment will be made mid-way through the year. We therefore discount accordingly.
- Future year risk charges adhere to the level 3 simplification of the risk margin whereby the whole SCR for each future year is approximated by using a proportional approach: CEIOPS-DOC-72-10 Section 3.276(3).
- The run-off of reinsurance shown in the Technical Provisions is assumed to reasonably represent the future run-off of the counterparty SCR charge.
- Operational Risk: 30% of BSCR will always be larger than the basic capital requirement for operational risk charge, and therefore the formula in Article 204(1) is not included in the calculation in the model. The model also assumes that the Technical Provisions are a more appropriate measure of the operational risk, in the context of the risk margin, than the earned premiums.
- The reference undertaking is assumed to only invest in risk free assets, hence the market risk is assumed to be nil and the cash component of the counterparty risk is assumed to be nil.

D.3 Other Liabilities

There are no material differences between the bases, methods and main assumptions used by the Branch for the valuation of other liabilities for solvency purposes and those used for their valuation in financial statements.

D.3.1 Insurance Payables

Insurance payables are recognised when due. These include amounts due to agents, brokers and insurance contract holders. Payables are recognised at the amount expected to be paid when due.

The presentation of (re)insurance payables on the Solvency II balance sheet differs from Branch financial statements, since (re)insurance payables for financial reporting purposes include claims which are included in Technical Provisions in the Solvency II Balance Sheet. For further details please see section D.2.

D.3.2 Payables (trade not insurance)

There are no material differences between the bases, methods and main assumptions used by the Branch for the valuation of other liabilities for solvency purposes and those used for their valuation in financial statements.

D.3.3 Deferred Tax Liability

The valuation differences between the Solvency II and UK GAAP basis give rise to a timing difference of future cashflows. After adjusting for the tax provision, the difference in the balance sheets is that the net assets under Solvency II are increased by £8.4m for deferred tax purposes which would give rise to a deferred tax liability of £1.8m. This deferred tax liability is offset by carried forward P&L losses, and so there is a nil deferred tax liability on the Solvency II basis.

NIA - UK have posted a net loss for the year ended 31st March 2024, mainly due to increases in attritional claims, uptick in frequency and severity of larger losses and isolated reductions in reinsurance case estimates on large losses. NIA – UK have taken significant steps during the year to prune the account of historically poor performing exposures with strategic measures taken to position the Branch for long-term profitability. It is also observed that the difference between budgeting by the Branch and the actual performance of the Branch is not significantly different. The future business plans of the Branch are conservative and forecast a profit.

The valuation differences between the different bases of Solvency II and UK GAAP lead to a reduction in the net reserves on a Solvency II basis – i.e. there is a future profit anticipated within the Technical Provisions, this leads to a deferred tax liability to be recognised for unrealised taxable gains when shifting from book value to market value as in Solvency II. This deferred tax liability is offset by carried forward P&L losses.

D.4 Alternative Valuation Methods

There were no alternative methods required or considered for the valuation of the Branch's assets or liabilities.

D.5 Any other information

There is no other material information to be disclosed regarding the valuation of the Branch's assets and liabilities for solvency purposes.

Contingent Liabilities

Contingent liabilities are:

- Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or

- A present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Under Solvency II, contingent liabilities that are material are recognised as liabilities, unlike FRS 102 where they are only disclosed. Contingent liabilities are material where information about the current or potential size or nature of those liabilities could influence the decision-making or judgment of the intended user of that information, including the supervisory authorities.

As at 31st March 2024, NIA - UK holds letters of credit to the tune of £25.6m discussed in section C.7.

E. Capital Management

The regulations prescribe the different categories of capital available to a Branch and the valuation of that capital for solvency purposes.

Except for the deferred tax asset, NIA - UK's capital is "Core Tier One" and as such is fully admissible. If the Branch was to source capital in instruments other than Core Tier One, then this would need prior approval from NIA - India.

The Branch's admissible capital is then subject to adjustments to reflect any solvency valuation requirements in respect of the Branch's underlying assets and liabilities. The Solvency position of NIA - UK is well above the regulatory minimum.

The Branch's capital is comprised of a Long Term Inter Branch Funding Account and Retained Earnings. There are other sources of capital available to the Branch which include:

- Capital injection from NIA - India (e.g. capital contribution).
- Contingent capital from NIA – India.

The Branch has a variety of working capital management options available, including:

- Reinsurance purchased either from a third party or intergroup.
- Credit facilities on a stand-alone basis or supported by a parental guarantee.

NIA - UK has additional risk mitigation techniques which can be employed to manage emerging risks, including:

- NIA - UK monitors the credit ratings of all counterparties during the year, to ensure that counterparty exposures remain within current risk tolerance. NIA - UK seek to maintain counterparty under control by selecting counterparties with credit ratings of A- and above where possible.
- Risk appetite is controlled by monitoring types of business written against risk-based capital requirements during the process of Own Risk and Solvency Assessment (ORSA) and underwriting is controlled within NIA - UK's tolerance against available capital.
- NIA - UK conducts business in four predominant currencies GBP, USD, EUR and JPY, and has large deposits in each, as required, to maintain liquidity to meet policyholder liabilities when they fall due. This can expose NIA - UK to fluctuations in the value of cash deposits held, NIA - UK manages these risks by actively matching assets to liabilities currency wise during the course of business.

E.1 Own Funds

The Branch has a Capital Management Policy and a Medium-Term Capital Management Plan which outline the overall aim and approach to be taken for capital management, together with the standards and parameters which must be adhered to and reporting requirements and responsibilities.

The objective is to ensure that the Branch has sufficient capital resources to remain solvent on both a regulatory basis (Solvency II Pillar I) and an economic basis (Solvency II Pillar II).

The capital projections shown in the ORSA over the 3-year business planning period facilitate executive discussion on the capital requirements for the Branch.

There have not been any material changes to the capital management policy or processes during 2023/24, shown in £000's:

Description	31/03/2024	31/03/2023
Total Assets	349,414	365,303
Total Liabilities	218,107	220,198
Basic Own Funds	131,307	145,106
SCR	101,737	103,158
MCR	35,130	33,165
Ratio of Eligible own funds to SCR	**129.1%**	**140.7%**
Ratio of Eligible own funds to MCR*	**373.8%**	**440.6%**

** Ratio of eligible own funds compared to MCR excludes deferred tax assets*

Figure 3

The capital base reduced over the previous year owing to increases in attritional claims and reductions in expected reinsurance recoveries on a few large claims (thereby increasing the net loss to NIA - UK). The SCR reduced slightly over the previous year as the Branch continued to manage emerging risks and positioned itself to take advantage of emerging opportunities in line with its' risk appetite.

E1.1 Capital Structure

The Branch's own funds consist of Tier 1 and Tier 3 assets. Tier 1 is high quality unrestricted capital, i.e. assets which are free from any foreseeable liabilities and are available to absorb losses due to adverse business fluctuations on a going-concern basis and in the case of winding-up. Tier 3 assets are composed of the deferred tax asset. Tier 1 capital is available to meet the SCR and for the purposes of MCR, Tier 3 is excluded. This has been the position over the whole of 2023/24.

E1.2 Own Funds

NIA - UK will hold solvency capital that is at least equal to 110% of the Solvency Capital Requirement (SCR) of the Branch.

Where the regulatory capital ratios exceed the risk measures in the Risk Appetite and Risk Tolerance/Limit Policy, this will be notified to the Executive along with any mitigation plans proposed by the Deputy Chief Executive.

NIA - UK is not authorised to issue share capital. Additional funds can be provided from NIA - India if there is solvency requirement of NIA - UK.

The Branch's economic capital model will be updated at least annually including scenarios that stress test that capital.

Where the economic capital requirement exceeds the risk measures in the Risk Appetite and Risk Tolerance/Limits Policy, the Deputy Chief Executive will present any proposed capital/working capital changes to the EMT.

Tier 3 - The own fund items classified as Tier 3 for NIA - UK consist of the deferred tax asset (liability), valued at nil as at 31st March 2024.

E1.3 Tiering of Capital

Please refer to E.1.1 which outlines the capital structure of Tier 1 and 3 assets.

Tier One capital issuance requires prior approval by the Executive in conjunction with ratification by NIA - India.

E1.4 Reconciliation to UK GAAP

Below is an explanation of material differences between NIA - UK's financial statements and the excess of assets over liabilities as calculated for Solvency II purposes:

Category	2023/24	£'000's	Explanation	Section
	UK GAAP Net Assets	**123,060**		
	Change in:			
Asset	**Net DAC**	- 12,957	Valued at nil under Solvency II	D.1.2
Asset	**Insurance receivables**	- 22,103	Moved to Technical Provisions	D.1.6
Asset	**Reinsurance recoverables**	- 19,181	Moved to Technical Provisions	D.1.7
Asset	**Net provision for deferred unearned premium**	- 654	Moved to Technical Provisions	D.1.11
Liability	**Insurance & intermediaries payables**	6,314	Moved to Technical Provisions	D.2
Liability	**Technical provisions (Best Estimate Liabilities)**	62,793	Change in valuation between UK GAAP and SII Technical Provision	D.2
Liability	**Risk Margin**	- 6,020	Value of SII risk margin (valued at nil under UK GAAP)	D.2
Liability	**Deferred Tax Liability**	-	Recognised as Tier 3 in Own Funds	D.3.3
	Solvency II Net Assets	**131,307**		

Figure 23

E.2 Solvency Capital Requirement and Minimum Capital Requirement

General Principles

The Solvency II directive provides for two separate measures of solvency margin: (i) the Minimum Capital Requirement (MCR), and (ii) the Solvency Capital Requirement (SCR).

In broad terms, surplus own funds at the level of the SCR represents a security level such that the balance sheet can withstand a 1 in 200 (99.5%) extreme scenario or set of circumstances whilst the MCR represents a lower level of security which has been characterised broadly as representing an 85%-tile level of security.

The level of capital maintained by an insurer should exceed the SCR and the regulators use the actual capital coverage relative to the MCR and SCR as part of the regulatory and monitoring tool set which enables the PRA to deliver its primary objectives of promoting the safety and soundness of the firms it regulates, and to ensure that policyholders are appropriately protected.

E2.1 SCR

SCR components by risk type

The SCR risk module components using the Standard Formula approach as at 31st March 2024 are as follows:

SCR (£000's)	**2023/24**	**2022/23**
Market risk	9,743	9,693
Counterparty default risk	19,874	24,384
Non-life underwriting risk	80,832	79,307
Less Diversification	(14,946)	(16,356)
Basic Solvency Capital Requirement	95,503	97,028
Operational risk	6,234	6,130
Solvency Capital Requirement	**101,737**	**103,158**
Minimum Capital Requirement	**34,872**	**33,165**

Figure 24

There has been a slight decrease in SCR between 2023/24 and 2022/23.

Market risks increased due to increases within the interest rate risk submodule owing to interest rates being applied to a larger net technical provision.

Counterparty risks decreased due to placing larger deposits with A-rated bank counterparties whilst maintaining increasing levels of yield as interest rates were maintained during 2023/24.

Non-life underwriting risks remained largely stable over the past 12 months. However, there was an increase in Premium/Reserve risks due to decreased reinsurance recoverables (i.e. a larger net technical provision) within the technical provisions, reflecting isolated reductions in reinsurance case reserves on a limited number of large losses.

Operational risks increased as a result of the marginal increase in net Technical Provisions, these are discussed in section C.5.

E2.2 MCR

The Minimum Capital Requirement is a lower threshold capital requirement, a breach of which would lead to regulatory intervention - financial resources should not fall below this level.

For Non-life entities, the Minimum Capital Requirement uses a factor-based formula taking into consideration the amounts of Best Estimate Liabilities net of the amounts recoverable from reinsurance contracts and special purpose vehicles, and written premiums for each line of business. Different factors are applied to those amounts according to each relevant line.

The MCR is restricted by a cap and a floor, being 45% and 25% of the SCR respectively, with an absolute floor of €3.7m (Euros).

E2.3 Simplifications

Operational Risk

No assumptions or judgements are made in the calculation of the operational risk charge and the BSCR.

Reinsurance Recoveries

- Reinsurance recoveries are a balance sheet asset. The asset arise from many different reinsurance contracts with multiple counterparties and the regulatory capital requirement requires assumptions to be applied to capture the risk of a counterparty defaulting on its obligations.
- The parameters affecting the capital associated with a counterparty include:
    - its security rating (which is generally obtained from an approved rating agency),
    - the level of collateral which the counterparty has committed as security to its various cedants, and
    - the specific level of collateral which NIA-UK has obtained from the reinsurer.
- One of the measures generated in the regulatory capital calculation is the loss given default – namely an estimate of the amount of the recovery should a specific counterparty default:
    - The average loss resulting from the default of a reinsurance counterparty is assumed to be 50%, in the event that less than 60% of the reinsurers' assets are tied up in collateral arrangements, and 90% otherwise. This adheres to Article 42.
- Counterparty probability of default for each credit quality step is in line with Article 199.
- Credit bond ratings are used to provide the probability of default for a reinsurer.
- Ceded expenses assumed to be zero.

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

This is not applicable for NIA - UK.

E.4 Differences between Standard Formula and any Internal Model used

NIA - UK does not operate an approved Internal Model.

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

The Branch has complied with the Minimum Capital Requirement and the Solvency Capital Requirement throughout 2023/24 and does not expect to breach the requirements over the Branch's planning period.

E.6 Any other information

NIA - UK has not used any undertaking specific parameters for purposes of SCR calculations.

The New India

Solvency and Financial Condition Report

Disclosures

31 March

2024

(Monetary amounts in GBP thousands)

General information

Name of Third Country Undertaking	The New India Assurance Co. Ltd.
Country of third country undertaking	IN
Name of a third country branch	The New India Assurance Company Limited
Country of third country branch	GB
Identification code of third country branch	549300Y7BOB3N24JL432
Type of code of third country branch	LEI
Language of reporting	en
Reporting reference date	2024-03-31
Regular/Ad-hoc submission	Regular reporting
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions
Type of branch	Non-life branch

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	124
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	239,286
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	29,666
R0140	*Government Bonds*	24,340
R0150	*Corporate Bonds*	5,326
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	209,620
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:	27,457
R0280	*Non-life and health similar to non-life*	27,457
R0290	*Non-life excluding health*	27,457
R0300	*Health similar to non-life*	0
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	707
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	2,430
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	79,108
R0420	Any other assets, not elsewhere shown	301
R0500	**Total assets**	349,414

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	213,830
R0520	*Technical provisions - non-life (excluding health)*	213,830
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	207,810
R0550	*Risk margin*	6,020
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
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	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	4,277
R0850	Subordinated liabilities	
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	218,107
R1000	**Excess of assets over liabilities**	131,307

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business				45,013	15,815		51,350	10,005									122,184
R0120	Gross - Proportional reinsurance accepted							13,134										13,134
R0130	Gross - Non-proportional reinsurance accepted																26,197	26,197
R0140	Reinsurers' share				9,550	3,355		11,680	599								6,208	31,391
R0200	Net				35,464	12,460		52,804	9,407								19,990	130,124
	Premiums earned																	
R0210	Gross - Direct Business				47,314	16,624		51,657	10,065									125,660
R0220	Gross - Proportional reinsurance accepted							12,764										12,764
R0230	Gross - Non-proportional reinsurance accepted																28,306	28,306
R0240	Reinsurers' share				9,550	3,355		11,570	599								6,208	31,282
R0300	Net				37,765	13,269		52,851	9,466								22,098	135,448
	Claims incurred																	
R0310	Gross - Direct Business				30,096	10,574		33,233	1,673									75,576
R0320	Gross - Proportional reinsurance accepted							2,873										2,873
R0330	Gross - Non-proportional reinsurance accepted																44,046	44,046
R0340	Reinsurers' share				-4,828	-1,696		-3,685	-323								14,283	3,752
R0400	Net				34,924	12,271		39,790	1,995								29,763	118,742
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net				0	0		0	0								0	0
R0550	**Expenses incurred**				10,242	3,598		20,520	2,985								7,434	44,779
R1200	**Other expenses**																	
R1300	**Total expenses**																	44,779

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**				0	0		0	0								0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross				9,855	-581		2,197	381								2,486	14,337
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				-711	-5		-4,312	-386								-11,328	-16,743
R0150	**Net Best Estimate of Premium Provisions**				10,566	-576		6,509	767								13,814	31,080
	Claims provisions																	
R0160	Gross				57,554	5,369		35,690	16,940								77,920	193,473
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				3,632	330		11,031	397								28,810	44,200
R0250	**Net Best Estimate of Claims Provisions**				53,922	5,039		24,659	16,544								49,110	149,273
R0260	**Total best estimate - gross**				67,409	4,788		37,887	17,321								80,406	207,810
R0270	**Total best estimate - net**				64,488	4,463		31,167	17,310								62,924	180,353
R0280	**Risk margin**				2,103	188		1,126	758								1,844	6,020
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**				69,513	4,976		39,013	18,079								82,250	213,830
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				2,921	324		6,719	10								17,482	27,457
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				66,591	4,652		32,294	18,068								64,768	186,373

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)					
R0030	Share premium account related to ordinary share capital					
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings					
R0050	Subordinated mutual member accounts					
R0070	Surplus funds					
R0090	Preference shares					
R0110	Share premium account related to preference shares					
R0130	Reconciliation reserve	131,307	131,307			
R0140	Subordinated liabilities					
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above					
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 financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	131,307	131,307	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand					
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
R0320	Unpaid and uncalled preference shares callable on demand					
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	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					
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	131,307	131,307	0	0	0
R0510	Total available own funds to meet the MCR	131,307	131,307	0	0	
R0540	Total eligible own funds to meet the SCR	131,307	131,307	0	0	0
R0550	Total eligible own funds to meet the MCR	131,307	131,307	0	0	
R0580	**SCR**	101,737				
R0600	**MCR**	34,872				
R0620	**Ratio of Eligible own funds to SCR**	129.06%				
R0640	**Ratio of Eligible own funds to MCR**	376.54%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	131,307
R0710	Own shares (held directly and indirectly)	
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	131,307
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	10,229
R0790	**Total Expected profits included in future premiums (EPIFP)**	10,229

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	9,743		
R0020	Counterparty default risk	19,874		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	80,832		
R0060	Diversification	-14,946		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	95,503		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	6,234
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	101,737
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	101,737
	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

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	Yes

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	0
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

USP Key

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

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

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

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	34,872

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	64,488	35,464
R0060	Other motor insurance and proportional reinsurance	4,463	12,460
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	31,167	52,804
R0090	General liability insurance and proportional reinsurance	17,310	9,407
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	62,924	19,990

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	34,872
R0310	SCR	101,737
R0320	MCR cap	45,782
R0330	MCR floor	25,434
R0340	Combined MCR	34,872
R0350	Absolute floor of the MCR	3,495
R0400	**Minimum Capital Requirement**	34,872