

Extracover Insurance Company Ltd

Solvency and Financial Condition Report

As at 31 December 2023

8 April 2024



Extracover Insurance
Company Limited

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Executive Summary

Introduction

Extracover Insurance Company Limited (“EICL / We / Our”) is a Gibraltar based insurance company that was licensed under the Financial Services (Insurance Companies) Act 1987 on 7th August 2019. The purpose of this report is to satisfy the public disclosure requirements under the Financial Services (Insurance Companies) (Solvency II Directive) Act (“the Solvency II Act in Gibraltar”) including the Delegated Regulations of the European Parliament. The elements of the disclosure relate to business performance, governance, risk profile, solvency and capital management.

EICL is part of the Extracover Group and underwrites motor insurance in the UK Business to Customer (B2C) segment. EICL’s primary focus from an insurance product, pricing and underwriting perspective is to insure policyholders in niche segments of the UK motor insurance market, who are underserved by the more traditional insurance companies. These segments include gig economy workers and couriers, with policies ranging from hourly, 30 day to annual policies.

EICL also underwrites some ancillary products which are included as part of the motor insurance policies such as Personal Accident and Legal Expenses Cover. All products are designed to meet the needs of the target market in the product line they are aimed at.

EICL’s long-term strategy continues to focus on building an insurance business that meets customer needs and delivers a shareholder profit.

Business and Performance

EICL started trading in October 2019 and the results, on a GAAP basis, are summarised below:

	Gross Written Premium (£m)	Net Earned Premium (£m)	Underwriting Profit/ (Loss) (£m)	Profit/(Loss) (£m)	Net Assets (£m)
31 December 2019 (audited)	1.0	0.1	-0.2	-0.16	6.3
31 December 2020 (audited)	10.5	1.5	-0.4	-0.37	7.0
31 December 2021 (audited)	22.3	3.4	-0.4	-0.39	11.6
31 December 2022 (audited)	25.2	4.0	-0.1	0.04	11.6
31 December 2023 (unaudited)	36.0	6.5	-0.0	0.68	12.3
Totals	95.0	15.5	-1.1	-0.20	

It should be noted that the Board have, in light of the maturity of EICL as a carrier, adopted a prudent approach to reserving. The insurance reserves reported include a management loading

which is applied to the Actuarial Best Estimate, which is calculated by an independent, external actuary.

During the period 1 January 2023 to 31 December 2023, EICL underwrote motor business in the UK market in the flexible and fixed term segments.

In December 2023 the group took the decision to withdraw from the UK motor fleet market, and subsequently the EICL motor fleet portfolio was placed into run-off.

Reinsurance

EICL purchases both Excess of Loss and Quota Share reinsurance from Reinsurance partners who hold a minimum A rating from Standard & Poors, to protect the business against the impact of large losses and to support the effective management of capital.

EICL's Excess of Loss programme reinsures all losses in excess of £1.0m after indexation. Prior to the 1st March 2022 the EICL retention was £500,000. Additionally, EICL purchases a proportional Quota Share reinsurance treaty whereby EICL retains 30% of every risk. Prior to 1st March 2023 EICL's retention was 20%.

Systems of Governance

EICL operates an outsourced business model and EICL's expenses include charges from its outsourced service providers.

Since being formed in 2019, the day-to-day operational management of EICL was outsourced to Artex Risk Solutions (Gibraltar) Limited ("Artex"). However, following the appointment of a locally based Managing Director in January 2023, EICL has transitioned the day-to-day running of the business to the local management team. In August 2023 EICL transitioned the Finance function in house, following the appointment of a locally based Head of Finance.

During 2023 EICL retained the services of Artex for the following services:

- Company Secretary
- Risk management
- Solvency II reporting
- Compliance

EICL outsources policy administration, sales and marketing, customer service, and the provision of management information, to other entities within the wider Extracover group.

Claims handling is outsourced to Crawford & Company Adjusters (UK) Limited ("Crawfords") and The Davies Group.

EICL has in place systems of governance which are proportionate to the size and complexity of the operation. Such systems and the underlying processes and procedures are subject to ongoing review to ensure any required improvements are made.

EICL's Board of Directors retains overall responsibility for the systems of governance. The Board comprises one Executive Director, two independent Non-Executive Directors and one Non-Executive Director, with one additional independent Non-Executive Director awaiting approval to join the Board.

EICL's Board of Directors delegates authority to 4 committees:

- Pricing & Underwriting committee
- Claims committee
- Audit, Risk and Reserving committee
- Product Oversight & Governance committee

Each committee reports to the Board of Directors. 75% of the current Board of Directors are located in Gibraltar, and the majority of Regulated Individuals have a habitual location of Gibraltar. EICL therefore meets the GFSC substance requirements, as the majority of decision makers are living in Gibraltar or near to Gibraltar for the majority of their time.

Risk Profile

EICL has a strong risk management system, with close involvement of the entire Board. Risk is classified into 9 key areas:

- Insurance risk
- Regulatory and legal risk
- Capital management risk
- Market risk
- Liquidity risk
- Credit risk
- Concentration risk
- Operational risk
- Reputational and conduct risk.

Key risks identified by the management team:

- Unintended claims being captured or risks outside appetite being written
- Softening of market and increased competition leading to lower profitability
- Adverse loss ratio not covering expected frequency in poor risk segments
- Failure to deal with fraudulent claims, which increases claims costs
- Claims costs being higher or lower than expected
- Poor customer service and claims service leading to poor customer outcomes, reputational damage and financial losses
- A failure by any part of the distribution chain to implement Consumer Duty
- Negative impact of a change in regulatory framework
- Down-turn in economic environment

Full detail on risk management is provided in Section C.

Valuation for Solvency Purposes

Section D of this report sets out in detail the inputs, bases and methods of recognition and valuation of assets and liabilities, including a comparison between Solvency II and GAAP valuation. The main valuation differences arise from reclassifications and from differences in the valuation of technical provisions. As at 31 December 2023, the SCR coverage stood at 214%.

A. Business and Performance

A.1 Business Information

A.1.1 Company Details

Extracover Insurance Company Limited
P.O. Box 1338
First Floor
Grand Ocean Plaza
Ocean Village
Gibraltar

EICL is incorporated in Gibraltar and is a Company limited by shares. EICL's registered number is 118662.

This Solvency and Financial Condition Report covers EICL on a solo basis. Although EICL is part of a Group, this is not considered to be an insurance group for Solvency II purposes..

A.1.2 Supervisory Authority

EICL is regulated by:

Gibraltar Financial Services Commission ("GFSC")
P.O. Box 940
Suite 3, Ground Floor
Atlantic Suites
Europort Avenue
Gibraltar

A.1.3 External Auditor

EICL's external auditors are:

PKF Canillas
PO Box 884
Suite 2.1.09, 1st Floor
Building 2, Eurotowers
Gibraltar

A.1.4 Ultimate Shareholders

EICL is a 100% subsidiary of Extracover Holdings Limited, a company incorporated in the United Kingdom.

Direct and indirect holders of qualifying holdings in EICL are:

Name	Legal Form	Direct / Indirect	Proportion of ownership interest
Extracover Holdings Limited	Company limited by shares	Direct	100%
Balderton Capital	N/A	Indirect	18.93%
Target	N/A	Indirect	14.15%
DST Global	N/A	Indirect	12.12%
Sten Saar	Individual	Indirect	11.09%
Various under 10%	N/A	Indirect	43.71%
Total			100.00%

A.1.5 Material Lines of Business and Geographical Areas

EICL's business is providing UK motor insurance which is aimed at people who use their vehicles to make money. The following table shows the business by class for the year ended 31 December 2023. Motor premiums are shown below both gross and net of reinsurance. All business has been conducted in the UK.

Year ended:	31-Dec-23	31-Dec-22
	£'000	£'000
Motor Insurance:		
Gross Written Premiums	<u>36,045</u>	<u>25,181</u>
Net Written Premiums	<u>7,788</u>	<u>4,105</u>

A.1.6 Significant Business or Other Events

On 1st January 2021, the UK exited the European Union ("EU"). Passporting rights continue for firms operating between the UK and Gibraltar, with Statutory Instrument SI 2019/589 preserving the status quo of passporting between Gibraltar firms.

These transitional arrangements have been extended to 31 December 2024 until such time as the The Gibraltar Authorisation Regime ("GAR") is in place.

A.2 Underwriting Performance

EICL underwrote UK motor business during the year.

EICL mitigates its risk with Quota Share reinsurance and Excess of Loss reinsurance. This provides protection both against adverse performance from attritional and from large losses.

EICL prepares its financial statements in accordance with Generally Accepted Accounting Principles in Gibraltar ("GAAP") and the underwriting performance information given in this section is therefore on a GAAP basis.

The following table summarises the technical account performance for the year ended 31 December 2023 along with the comparative figures for 2022.

Year ended:

	31-Dec-23			31-Dec-22		
	Motor Liability £'000	Other Motor £'000	Total £'000	Motor Liability £'000	Other Motor £'000	Total £'000
Motor Insurance:						
Gross written premiums	32,441	3,605	36,045	22,663	2,518	25,181
Outwards reinsurance premiums	(25,431)	(2,826)	(28,257)	(18,968)	(2,108)	(21,076)
Net written premiums	7,009	779	7,788	3,695	411	4,105
Net earned premiums	5,883	654	6,536	3,626	403	4,029
Claims incurred - gross amount	(18,192)	(2,021)	(20,214)	(16,224)	(1,803)	(18,026)
Claims incurred - reinsurer's share	14,551	1,617	16,167	13,159	1,462	14,621
Claims incurred, net of reinsurance	(3,642)	(405)	(4,046)	(3,065)	(341)	(3,406)
Other Technical Income/ Expenses	6,729	748	7,476	4,058	451	4,509
Net Operating Expenses	(9,515)	(1,057)	(10,573)	(4,742)	(527)	(5,269)
Balance on technical account	(546)	(61)	(606)	(122)	(14)	(136)

A.3 Investment Performance

As at the end of 2023, EICL held its funds across four different banks (Barclays, NatWest, Santander and HSBC), which are all A-rated or better. In addition, some funds are deposited in Claim Float Accounts managed by its third party claims handlers. Through this strategy, the Company has been able to take advantage of higher interest rates during the year and also achieved a greater spread of risk as compared with 2022 when all funds were held with a single bank. The table below provides a summary of the cash balances and the interest earned along with comparisons for 2022.

Year ended:	31-Dec-23	31-Dec-22
	£'000	£'000
Cash held with banks	21,613	19,747
Claim float accounts	533	519
Total	22,147	20,266
Investment Income	688	174

A.4 Performance of other Activities

EICL receives reinsurance commission from its Quota Share reinsurer which contributes to the costs incurred by EICL. The table below shows the net amounts in the year. The value of commissions received are in part linked to the underlying underwriting result of EICL.

Year ended:	31-Dec-23		31-Dec-22	
	£'000	£'000	£'000	£'000
	Written	Earned	Written	Earned
Motor Insurance:				
Reinsurance commissions	5,023	4,470	3,941	3,868
Reinsurance profit commission	3,064	3,007	640	642
Total	8,087	7,476	4,581	4,509

A.5 Any other Information

There are no other material matters with regard to EICL's performance.

B. Systems of Governance

B.1 General Information on Systems of Governance

B.1.1 Structure of the Board and Committees

EICL operates through a Board of Directors, with authority delegated to 4 committees: Pricing & Underwriting committee; Claims committee, Audit, Risk and Reserving committee and a Product Oversight and Governance committee. The membership of each is as follows:

BOARD:

- Chris Hill: Chairperson & Independent Non-Executive Director (iNED)
- Christopher Thiersch: Non-Executive Director (NED)
- Michael Christophers: Independent Non-Executive Director (iNED)
- Andrew Wright: Managing Director & Executive Director
- Julia Hillman: Independent Non-Executive Director (iNED) - effective from 1 January 2024 (subject to regulatory approval)

Sten Saar resigned from the Board effective 28 March 2023.

PRICING AND UNDERWRITING COMMITTEE

The Pricing and Underwriting committee members as at 31 December 2023 were:

- Andrew Wright: Managing Director & Head of Underwriting
- Chris Hill: iNED
- Alexander Price: Zego's Director of Pricing until November 2023
- Soren Jensen: Head of Actuarial & Portfolio Management Lead from November 2023

CLAIMS COMMITTEE

The Claims and Underwriting committee members as at 31 December 2023 were:

- Andrew Wright: Managing Director
- Chris Hill: iNED
- Alexander Price: Zego's Director of Pricing until November 2023
- Peter Goodright: Head of Claims
- Soren Jensen: Head of Actuarial & Portfolio Management Lead from November 2023

AUDIT, RISK AND RESERVING COMMITTEE

The Audit, Risk and Reserving committee members as at 31 December 2023 were:

- Andrew Wright: Managing Director
- Michael Christophers: iNED
- Christopher Thiersch: NED
- Alexander Price: Zego's Director of Pricing until November 2023
- Soren Jensen: Head of Actuarial & Portfolio Management Lead from November 2023

EICL's Company Secretary is Raphael Abergel.

The Board is responsible for overseeing the business of EICL, for providing strategic direction and for supervising management. While the Board delegates certain functions to the four committees, this does not absolve the Directors of their responsibility to the Company.

The Board operates under agreed Terms of Reference which set out the following key responsibilities:

- Setting the strategic direction and objectives of the Company
- Ensuring the integrity and reliability of the Company's finances, including
 - Business planning
 - Capital and Solvency position
 - Directors' remuneration
 - Dividend policy
 - Accounting policies
 - Approval of public documents
 - Investment Strategy
- Approving the underwriting strategy and policy and monitoring its implementation
- Reinsurance responsibilities
- Claims and Reserving Responsibilities
- Operational and Risk Responsibilities
 - Establishing an effective risk management framework including risk management strategies and policies and risk appetite and tolerance limits
 - Establishing an appropriate internal control system and monitoring its effectiveness
 - Overseeing the completion of QRTs, RSRs and SFCRs
- Approving, managing and monitoring the internal and external audit strategy and the performance and effectiveness of the external and internal auditors
- Overseeing, guiding and challenging the ORSA and approving the ORSA report

The Pricing & Underwriting Committee operates under agreed Terms of Reference approved by the Board. The key responsibilities of the Committee include: -

- Overseeing the performance of all product lines and intermediaries/distributors
- Receiving, considering, reviewing, challenging and agreeing recommendations and proposals for changes to the underwriting and/or rating
- Considering business opportunities and underwriting proposals presented by management
- Assisting with the negotiation, placement, performance and monitoring of the reinsurance arrangements
- Considering and advising on insurance risk management, including risk identification, controls, appetite and mitigation
- Monitoring and reporting on market trends and legislative or regulatory changes
- Reporting on all relevant matters to the Board

The Claims Committee operates under agreed Terms of Reference approved by the Board. The key responsibilities of the Committee include: -

- Reviewing key claims performance metrics
- Implementing and overseeing the claims handling, reserving and settlement strategy and philosophy
- Monitoring and reporting on market trends, emerging trends and legislative changes and their potential impact in relation claims
- Monitoring claims performance including claims SLAs in respect of the outsourced claims handlers and propose corrective action as necessary
- Reviewing audits performed of the outsourced claims handlers to ensure they are meeting the needs of the Company
- Monitoring that good customer outcomes are being achieved in respect of the claims handling activities to ensure Consumer Duty compliance
- Escalating any large claims or large reserve movements to the Board for further consideration
- Assisting the Board and Audit, Risk, Reserving and Compliance Committee in setting insurance risk strategy in relation to claims
- Assisting the Board and Audit, Risk, Reserving and Compliance Committee in setting insurance risk appetites and limits in relation to claims;

The Audit, Risk & Reserving Committee operates under agreed Terms of Reference approved by the Board. The key responsibilities of the Committee include: -

- Providing input to, reviewing and challenging the external actuarial review, prior to final reporting to the Board
- Reporting to the Board on quarterly external reserve reviews and actuarial function holder report
- Recommending to the Board the level of reserving to be booked based on input from the external reserve review
- Reviewing key risks and updating the Board on these key risks
- Maintaining the risk management framework, including any major or significant changes
- Developing, managing, monitoring and reporting to the Board on EICL's internal and external audit strategy, ensuring the requirements of the business plan, risk appetite of the company and any statutory or regulatory requirements are met
- Managing, monitoring and reporting to the Board on the performance of EICL's external auditors
- Managing, monitoring and reporting to the Board on the performance of EICL's outsourced internal auditors
- Negotiating with external auditors to secure the best possible terms and monitor their performance ensuring they represent value for money and meet the needs of the business
- Negotiating with the outsourced internal auditors to secure the best possible terms and monitor their performance ensuring they represent value for money and meet the needs of the business
- Ensuring the internal audit programme has been communicated as required within the company and externally as required

- Seeking formal approval and sign-off from the Board on all Audit, Reserving and Risk activities listed above

B.1.2 Key Functions

EICL has in place the four key functions as required by the Solvency II Directive. These are:

- Risk Management
- Compliance
- Actuarial
- Internal Audit

These functions are responsible for providing oversight of the relevant area and providing assurance to the Board on the operation of EICL's risk management framework. All functions are overseen by the Directors of the business, ensuring they have the appropriate authority to carry out their roles.

B.1.2.1 Risk Function

The Board of EICL retains full responsibility for the risk function. The function is overseen by Christopher Thiersch.

The function holder is supported in his role by the Managing Director, the four committees, outsourced service providers, including EICL's insurance manager and the third party administrator, who provide input into and assistance with risk management.

B.1.2.2 Compliance Function

EICL outsources compliance services to its insurance manager, with the function overseen by Morgan Peters during the year. The compliance team works closely with the wider group in providing compliance services to EICL.

The Board has approved a compliance monitoring programme, which is updated on an annual basis, and is intended to ensure that EICL complies at all times with all relevant rules, regulations, legislation and guidance to which EICL is subject, both in Gibraltar and, where applicable, in the UK.

Being outsourced, the function is operationally independent from the other areas of the business and, while it reports to the Board, the Board is not able to influence the function or to exert other inappropriate pressures. The Compliance function is authorised to access all areas of the business and is therefore entitled to full and unrestricted access to all information, records, property, personnel and activities, including those residing with outsourced service providers.

The Compliance function reports to the Board on a quarterly basis.

B.1.2.3 Actuarial Function

The Actuarial function has specific duties and responsibilities under Solvency II. EICL outsources Actuarial function services to Insight Risk Consulting, and, per the response to the GFSC's Dear CEO letter titled "Regulated Individuals, Governance and Substance", has recently recruited an individual to serve as the Actuarial Function Holder, until which the Board assumed oversight responsibility. The outsourcing arrangement ensures that the Actuarial function is operationally independent. Specific duties of the Actuarial function include, but are not limited to:

- Coordinating the calculation of the firm's technical provisions
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions against the data quality standards as set in Solvency II
- Informing the Board of the reliability and adequacy of the calculation of technical provisions
- Expressing an opinion on the overall underwriting policy
- Expressing an opinion on the adequacy of reinsurance arrangements
- Contributing to the effective implementation of the risk management system
- Preparing the Actuarial Function Report for the Board at least annually

In addition, Insight Risk Consulting carry out quarterly reserve reviews and provide an element of operational independence.

B.1.2.4 Internal Audit

EICL's Internal Audit function is overseen by Michael Christophers as the Chairman of the Audit, Risk & Reserving Committee. Internal Audit is responsible for evaluating the approach to risk management and governance, with particular emphasis on the internal control system.

EICL outsources the Internal Audit function to EY Limited, who the Board believe have the skills, knowledge and expertise to provide the services and who are entirely independent from operational aspects of the business.

B.1.3 Changes during the Period

There were no changes to the Internal Audit outsourced partner during 2023.

B.1.4 Remuneration Policy

EICL had three employees during the period, one of whom is also an Executive Director. The Non-Executive Directors receive remuneration from EICL as detailed below. Due to the size of EICL and the simple remuneration arrangements, EICL does not have a separate Remuneration Committee, with responsibility for this area being retained by the Board and the Managing Director.

The Non-Executive Directors receive a fixed fee and there were no variable or performance-related elements to their remuneration. The remuneration of the Executive Director is in the form of an

annual salary and a bonus entitlement, which is based on the achievement of key objectives and milestones.

Other remuneration arrangements include a management fee payable to EICL's insurance manager, which is also not performance related.

B.1.5 Material Transactions

During the year to 31 December 2023, EICL paid its insurance manager a fee of £182k (2022: £214k) for the services provided. It also paid Extracover Ltd a commission for the distribution of its insurance products of £4.7m in the year to 31 December 2023 (£3.1m in the year to 31 December 2022)

B.1.6 Adequacy of the Systems of Governance

EICL operates under an outsourced business model with the Board of Directors being closely involved in all aspects of the operations. The business is currently focused on motor insurance in the UK only. The systems of governance have been established taking account of the principle of proportionality, such that they are appropriate to the size, nature and scale of the operations.

Governance falls within the remit of both the internal and external audit functions and the risk management and compliance functions continuously assess relevant legislation, guidance, advice and best practice to ensure that the systems of governance are kept up to date. Accordingly, these systems are considered appropriate for the Company.

B.2 Fit and Proper Requirements

B.2.1 Requirements for Skills, Knowledge and Expertise

EICL requires that members of the Board and Committees and those individuals carrying out other significant functions are fit to carry out their roles through the possession of the necessary skills, knowledge and experience, and that all such individuals are of good standing and integrity. This ensures an appropriate spread of skills for managing the business.

The fitness requirements set out that collectively the Board and Committees cover at least the following areas:

- Knowledge of insurance and financial markets
- Understanding of the business strategy and the business model
- Understanding of the systems of governance
- Knowledge of financial matters, actuarial analysis and management information
- Understanding of the regulatory framework and requirements

B.2.2 Policies and Processes with regard to Fit Requirements

The EICL management team will consider the skills, knowledge and experience required prior to any new appointment and assess whether the individual meets the requirements. On an ongoing basis, all individuals are required to ensure that their skills and knowledge are kept up-to-date and to confirm this annually. The fitness of key individuals is monitored and reported on by the compliance function via ongoing screening using the Dow Jones Risk and Compliance database as well as through the completion of an annual Fitness and Propriety Self-Certification.

All individuals carrying out key or significant functions for EICL are required to demonstrate that they meet EICL's fit and proper requirements with regard to their reputation and character. In order to assess whether this requirement is met, the following factors will be considered:

- the individual's character;
- the individual's personal behaviour;
- the individual's business conduct;
- any criminal aspects;
- any financial aspects;
- any regulatory aspects.

EICL's compliance function ensures that appropriate Notification Documents are prepared for all individuals carrying out notifiable functions and submitted for regulatory approval. The compliance function is responsible for checking propriety on an ongoing basis and to report to the Board at least annually.

B.3 Risk Management System including ORSA

B.3.1 Risk Management System

B.3.1.1 Overview

EICL categorises its risks as follows:

- Strategic Risk
- Insurance Risk (Underwriting and Reserving)
- Regulatory and legal Risk
- Operational Risk
- Market Risk
- Capital Management Risk
- Liquidity Risk
- Credit Risk
- Reputational and conduct Risk

EICL's aim is to ensure that the business is managed at all times in a risk-focussed manner in order to achieve EICL's overall strategic objectives. EICL has in place policies, processes and procedures for each category of risk which are included in the Company's corporate governance framework.

Risk management is the responsibility of the Board with support from the EICL management team, the Pricing & Underwriting, Claims and Audit, Risk and Reserving committees. In view of the size of

EICL, there is additional support from individuals within its outsourced service provider, in particular Artex and Extracover Limited (Zego).

The system of governance is based on the principle of proportionality, such that systems are proportionate to the nature, scale and complexity of Company's operations.

B.3.1.2 Risk Management Strategies, Objectives, Processes and Reporting

EICL's risk management policy is intended to identify all material risks, minimise risks wherever possible and manage and control all significant risks within acceptable limits. The ultimate goal is to ensure policyholder protection, both now and in the future and for EICL to achieve EICL's overall strategic objectives.

EICL sets risk appetite and tolerance limits for each category of risk and monitors performance on a monthly basis.

B.3.1.3 Identification, Measurement, Monitoring, Management and Reporting of Risks

The Board sets risk appetite and tolerance limits for each category of risk and monitors performance on a regular basis. Overall, EICL has an appetite for Underwriting Risk and a tolerance for other forms of risk. The rationale for the appetite and tolerances is articulated in the individual risk policies, which are reviewed and updated regularly. The overall risk appetite is articulated in the Company's Risk Appetite Statement document.

This approach results in the risk policies and inputs to the Risk Register, where all risks are defined and analysed for potential impact to the Company. All risks identified are recorded and assessed as to their impact and the likelihood of their occurrence, both on an inherent basis (before controls and mitigations) and on a residual basis (after taking account of appropriate controls and mitigations). Qualitative and quantitative assessments of the impact and probability of all risks are contained within the Risk Register, which are part of a regular review process.

The Risk Register is a key input into the risk management regime, and any material changes in the underlying risks will be modelled for potential impact upon EICL's capital requirements. Such changes include, but are not limited to, changes in business mix, strategy and investment policy.

The highest rated risks are reported to the Board on a regular basis. In addition, at each Board meeting consideration is given to the agreed management actions, whether the Company's risk profile or risk exposure has changed due to actions taken.

Risk events are reported to the Board when they occur and are recorded in the risk register, including their impact and resolution and root cause analysis..

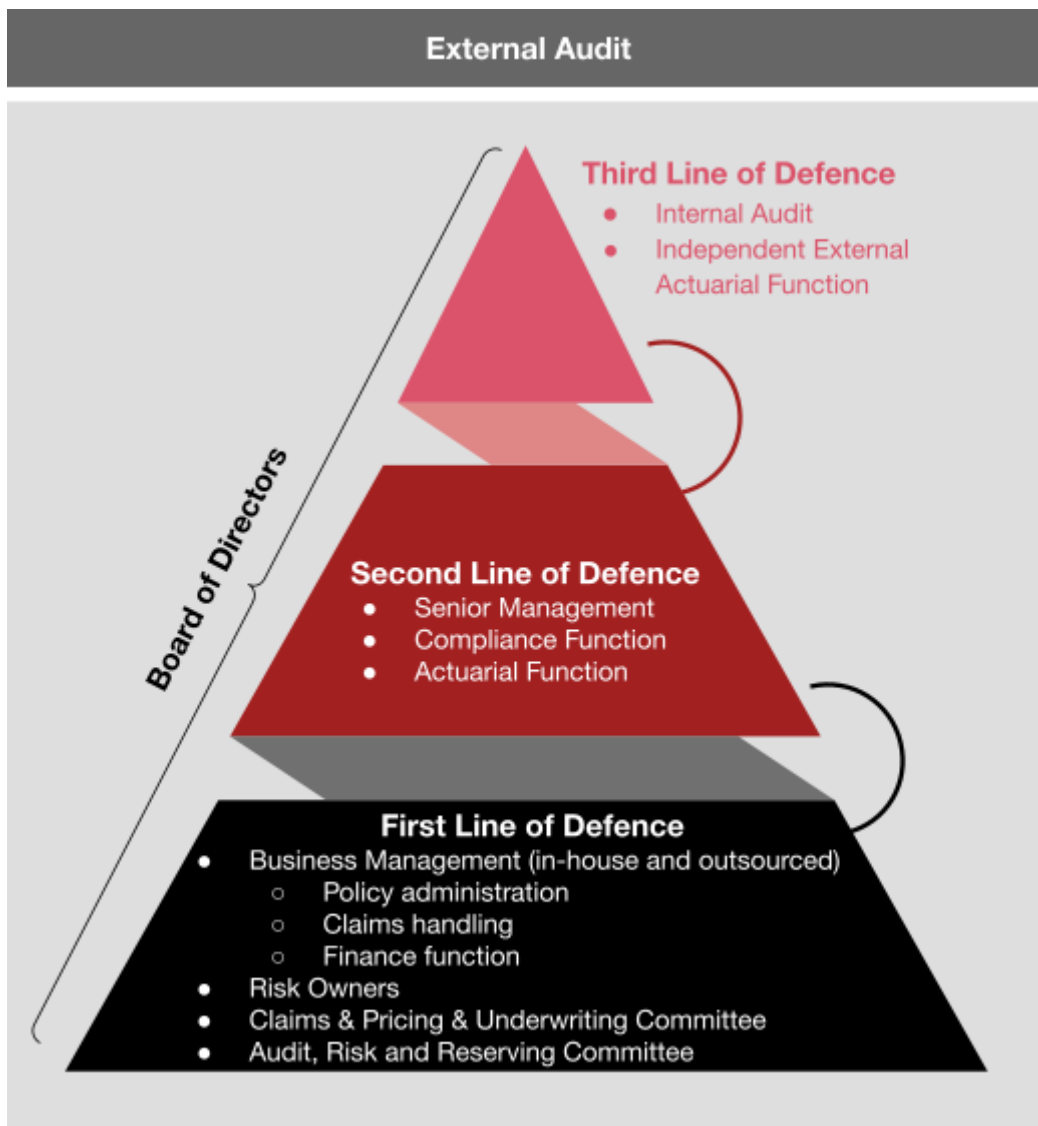
Risk management involves the Board and key outsourced providers. All committees and individuals involved in risk management have a duty to inform the Compliance, Internal Audit or Actuarial functions of any facts that may be relevant to these functions in performing their duties.

In addition, the Board will receive regular reports from the outsourced Internal Audit function as to the adequacy, effectiveness and efficiency of the internal controls.

B.3.1.4 Implementation of Risk Management Function

The Board of EICL has retained responsibility for the risk management function. While EICL relies on its outsourced service providers for elements of the day-to-day operation of risk management, oversight and control remains with the Board. This ensures that risk management is fully integrated into EICL's business and its decision-making processes.

EICL operates a three-line of defence model as set out below:



First line of defence: Responsible for the day-to-day management and control of risk and the establishment and operation of appropriate internal control measures.

Second line of defence: Responsible for operation of the risk management framework and oversight of risk control and management. Has a level of independence from the day-to-day management and provides the Board with some assurance over the effectiveness of the risk management system.

Third line of defence: Responsible for providing independent assurance on the effectiveness of the first and second lines of defence and over the risk management framework and system of internal controls.

B.3.2 Own Risk and Solvency Assessment

B.3.2.1 ORSA Process and Integration

EICL has established a policy setting out the requirement to carry out an Own Risk and Solvency Assessment (“ORSA”). The purpose of the policy is to ensure that all material risks faced by EICL are appropriately assessed and the level of capital required managing these risks or other risk mitigation measures are determined and put in place. The ORSA should provide the Board and management with a thorough understanding of EICL’s risk profile and provide the information needed to make appropriate decisions.

The ORSA takes account of historic performance and future forecasts/budgets over the business planning horizon, which is a period of three years. Various members of the management team and relevant outsourced providers will carry out the ORSA. The Board maintains oversight and control at all times, steering how the assessment is performed and challenging the results to ensure they properly take account of EICL’s material risks.

EICL conducts at least an annual ORSA after which a formal report is prepared. This will take place during the final quarter of EICL’s financial year, thus ensuring that the timing is aligned with the business planning process.

As part of the ORSA process, the management team assesses the risks to which EICL is exposed and their potential impact on the capital requirement together with any other relevant mitigating factors. This consists of both a quantitative assessment through appropriate stress and scenario tests, as well as a qualitative assessment of risks which may not be covered by capital. The outcome from the ORSA process is to determine the level of capital which the Board considers appropriate for the business.

In addition to the above, the Board will formally assess on a regular basis whether any decisions taken, risk events, market factors or other similar items affect EICL’s risk profile, risk appetite, free reserves or other relevant matters. In such a case, the impact on EICL’s own assessment of its capital needs will be considered and, if required, a further ORSA together with an SCR calculation will be carried out.

In particular, the following thresholds will require an automatic revision of the ORSA, regardless of other circumstances:

- Volumes increasing by more than 10% above budget, and the forecast performance of the business being such that the management team feel this will continue.
- Net loss ratio (net of Excess of Loss) deteriorating by more than 10 percentage points compared to the budget for a period greater than 6 months.
- New material line of business >£5m of gross written premiums (before XoL and QS) being entered into which had not been budgeted for.
- SCR ratio falling below 120%, and forecast performance of the business being such that management feel it will continue to be eroded below that level.

The ORSA is conducted by management, including outsourced service providers, with the Board maintaining oversight and control at all times and steering the assessment. The draft report produced is provided to the full Board for discussion, challenge and approval. This is applicable for each ORSA, whether annual or ad-hoc due to changes in the business.

B.3.2.2 Performance, Documentation and Review of the ORSA

A full ORSA cycle is performed at least annually and reported to the Board. The ORSA process is a circular process that relies on key elements of the business:

- The Board outputs: Strategy, Capital Management Plan and Risk Appetite
- Business planning – providing the basis for the base case projections
- The Solvency II Pillar I standard formula 3 year outputs & base assumptions used
- The Board – who review, challenge and, as appropriate, approve the test scenarios, the ORSA process and output
- The Actuarial Function – who quantify technical provisions and provide other input into the Pillar I model
- The Risk Function and Management who quantify the Pillar I capital requirements, assess the outputs and prepare the reports
- ORSA Reporting to all stakeholders

The Key Activities in the ORSA Process are:

- Strategy & Planning
- Pillar I base outputs and assumptions
- Risk identification & assessment
- Scenario setting
- Scenario testing through the Pillar I model & production of test output
- Review of test output & report preparation
- Management review & Board review & reporting

Each run of the ORSA process will be appropriately documented to evidence each of its constituent parts, and this record will be retained for any later scrutiny.

The documentation shall contain:

- A summary of the Board strategy for the Company
- The Risk Appetite Statement
- The Pillar I standard assumptions & output
- The schedule of scenarios to be tested, cross-referenced to the Risk categories in the Board's risk appetite, and quantification of deviations from the base assumptions
- The scenario test results
- The ORSA report
- Any relevant minutes relating to scrutiny, review & challenge of the ORSA process & outputs

B.3.2.3 Relationship between Solvency Needs, Risk Profile, Capital Management and Risk Management

The ORSA enables the Board to assess EICL's capital needs over the planning horizon, which is three years. The ORSA is carried out taking due account of EICL's specific risk profile and includes both risks explicitly captured in the Standard Formula, as well as risks which are either not captured or not able to be mitigated through capital. All risks are taken into account in the ORSA process.

The capital management policy has been established to ensure that EICL has in place the appropriate levels and quality of capital both as required by the SCR calculation and as determined by the ORSA. The policy aims to ensure that appropriate plans are in place to enable EICL to meet its capital requirements both in the immediate and the medium-term future and that all items of Own Funds comply with the relevant rules, regulations and legislation. The Capital Management Plan identifies a number of potential sources of capital and associated corrective actions that may be utilised to restore sufficient capitalisation, depending on the severity of the capital requirements placed upon EICL. When considering the sources of capital and corrective actions, EICL's plan incorporates the Solvency II Own Fund requirements. In addition, as part of its capital planning, the Company integrates projected capital needs with its business planning and financial forecasting processes.

The Board takes due account of the available capital, the Company's risk profile, future business plans and the outcome of the ORSA in an iterative cycle. Any material changes in the underlying risks, such as changes in business mix, reinsurance strategy and investment strategy, are modelled for potential impact upon EICL's capital requirements. The result of this process is to ensure that all material risks feed into the capital requirements analysis, and in some cases also trigger further investigation through stress testing.

B.4 Internal Control System

B.4.1 Internal Control System

EICL is committed to managing its business in a risk-focused manner. In order to achieve this, appropriate controls have been put in place to reduce risks where possible. Risk management and the adherence to the internal controls are an integral part of the business culture.

Responsibility for establishing an appropriate internal control environment rests with the Board as a whole and its Directors individually. EICL has established internal control systems which take due account of the nature of the business. Responsibility for adherence to internal controls rests with all individuals involved in the management of the business.

The internal control policy is targeted at ensuring that:

- Processes and procedures exist for the identification and assessment of risks
- Appropriate processes and procedures are in place to control identified risks
- Individuals involved in the business are trained and aware of their role with regard to internal controls
- Appropriate monitoring and review processes are in place

Key controls that operate to mitigate risks are recorded in the appropriate risk register. The internal control framework for EICL is subject to review by EICL's internal audit function.

B.4.2 Compliance Function

B.4.2.1 Implementation of Compliance Function

The compliance function is an integral and significant element of EICL's business, responsible for ensuring EICL complies with all relevant rules, regulations, guidance and legislation with regard to both Gibraltar and UK requirements. The compliance function also reports to the Board and Audit, Risk and Reserving Committee on any relevant changes in the legal environment in which EICL operates.

EICL outsources its Compliance function to its insurance manager, with a named Head of Compliance having overall responsibility. The compliance function has established a Compliance Monitoring Programme which is approved by the Board on an annual basis. The compliance function reports to the Board and the Audit, Risk and Reserving Committee on a quarterly basis with regard to the tasks carried out during the quarter.

While the provision of compliance services has been outsourced, this remains under the oversight of the Board, in particular the function holder, and the Board retains full responsibility.

B.4.2.2 Independence and Authority of Compliance Function

Due to the outsourced nature of the compliance function, the function is operationally independent from the other areas of the business.

The compliance function is authorised to access all areas of the business and is therefore entitled to full and unrestricted access to all information, records, property, personnel and activities, including those residing with outsourced service providers.

The Board considers and approves the compliance monitoring programme on an annual basis to ensure that all relevant areas are captured and receives the quarterly compliance reports, but does not otherwise seek to instruct or influence the Compliance function.

B.5 Internal Audit Function

B.5.1 Implementation of the Internal Audit Function

Internal Audit is an objective and independent activity, whose role is to help management achieve EICL's objectives by constantly improving the effectiveness of EICL's operations. It is responsible for evaluating management's approach to risk management and governance, with particular emphasis on systems of internal control. It investigates the manner in which EICL's processes and controls operate in order to assess their effectiveness in ensuring compliance with strategy and policies.

The Internal Audit function covers all aspects of EICL's business. In particular, it will consider:

- o Governance
- o Risk management
- o Compliance
- o Conduct risk
- o Underwriting and pricing
- o Claims handling and reserving
- o IT and business continuity
- o Reinsurance
- o Finance and treasury
- o Outsourcing
- o ESG and climate change

The board member responsible for Internal Audit oversees a three-year plan to ensure that all relevant areas are covered within an appropriately determined timeframe, taking into account the relevant risks and uses this plan as the basis for the detailed annual plan. The outsourced Internal Audit function carries out its examination at least once per annum and as requested on an ad hoc basis on any additional areas.

EICL outsources the Internal Audit function to EY.

A number of internal assurance processes and procedures will be taken into account by the outsourced provider in discharging their duties:

- The Board, with the assistance of its insurance manager, carries out an internal review of the governance, risk management and business planning systems and processes, including its own procedures, on an annual basis
- As set out in the service agreement, members of the Extracover Limited team carry out quality assurance and periodic audits of their outsourced providers including the claims handler and brokers and report to the EICL Board, these audits to be conducted at least annually
- Internal Audit will liaise with and leverage the work of the external auditors

After each audit, appropriate reports are produced.

B.5.2 Independence and Objectivity of the Internal Audit Function

Internal Audit is outsourced to EY, which has the required skill-set and experience and is not involved in any operational aspects of the business. This ensures that the function is independent, objective, and impartial and not subject to influence from the Board or management.

Internal Audit is authorised to review all areas of EICL (as necessary) and its business, and is therefore entitled to have full and unrestricted access to all information, records, property, personnel and activities. Staff and management (even if not staff of EICL) have a duty to make all requested information available promptly and to assist with any enquiries.

The Board will approve the 3-year audit and assurance plan, and is free to request additional areas to be reviewed by internal audit and/or internal assurance activity. In addition, the Board receives and reviews the reports produced by the function. However, the Board does not otherwise seek to instruct or influence the Internal Audit team.

B.6 Actuarial Function

B.6.1 Implementation of Actuarial Function

The role of the Actuarial Function is to provide the Board with an independent perspective on key insurance aspects of EICL's operations. This will ensure that the Board is fully informed of matters that may impact the business.

EICL outsources the Actuarial Function services to an external actuarial firm (Insight Risk Consulting) who provides the services under oversight of the Actuarial Function Holder and ultimately the Board.

The Actuarial Function is responsible for the following areas:

- Coordinate the calculation of the firm's technical provisions (and the Quarterly Reserve Review)
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions
- Assess the sufficiency and quality of the data used in the calculation of technical provisions against the data quality standards as set in Solvency II
- Inform the Board of the reliability and adequacy of the calculation of technical provisions
- Express an opinion on the overall underwriting policy
- Express an opinion on the adequacy of reinsurance arrangements
- Contribute to the effective implementation of the risk management system
- Prepare the Actuarial Function Report
- Provide the Actuarial Report on Technical Provisions.

The Actuarial Function reports its findings to the Board at least annually, covering all areas for which it is responsible. The report should be appropriate to assist the Board in its decision-making process and to identify to the Board areas where improvements are required. The report should also identify any material uncertainty about data accuracy and explain the approach taken in light of this uncertainty.

B.7 Outsourcing

B.7.1 Outsourcing Policy

Outsourcing is defined as the contracting out of all or part of an internal process or internal activities to a third party provider on a continuous basis. EICL has in place an outsourcing policy which ensures that all outsourcing will:

- Support EICL's business strategy and key objectives
- Provide customers with an experience at least as good – or better – than an in-house alternative
- Enable the firm to deliver a service experience to customers at a cost consistent with EICL's cost objectives/budget/business plan
- Enable EICL to exercise control over outsourced service providers to ensure that any risks are properly identified, understood and appropriately mitigated
- Enable EICL to demonstrate that its responsibilities in respect of outsourced activities are being effectively discharged

While EICL outsources certain key activities, EICL retains all decision-making powers and ultimate accountability for all outsourced services.

The outsourcing policy sets out the following:

- The definition of outsourcing
- Responsibility for implementation and operation of the policy and consequent controls and processes
- The criteria for outsourcing
- Due diligence on potential providers
- Establishment of appropriate contractual arrangements which clearly define responsibilities and allow adequate supervision and control
- Establishment of appropriate contingency planning, including terminating or exiting the arrangement
- Periodic audit requirements
- Records of outsourced arrangements
- The approval process
- Contract and legal requirements
- Risk assessment and risk mitigation measures
- Monitoring and on-going requirements

B.7.2 Outsourced Functions and Activities

The following table sets out the key functions outsourced by EICL:

Function/Services	Provider	Jurisdiction
Policy administration and processing including provision of management information	Extracover Limited	United Kingdom
Claims handling, reserving and settlement	Crawford & Company; Davies Group	United Kingdom
Assistance with risk management	Artex Risk Solutions	Gibraltar

Compliance services	Artex Risk Solutions and Extracover Limited	Gibraltar and United Kingdom
Company secretarial services	Artex Risk Solutions	Gibraltar
Actuarial function services	Insight Risk Consulting	United Kingdom
Internal audit	EY	Gibraltar

B.8 Any other Information**B.8.1 Adequacy of Systems of Governance**

EICL is a small company with the directors closely involved in all key aspects of the business. EICL is not complex, focussing mainly on a single line of business, with known and fully understood risks. The systems of governance have therefore been established taking due account of the principle of proportionality, being appropriate to the size, nature and scale of the operations.

The Board has in place a process of regularly evaluating the effectiveness of the systems of governance. In addition, governance falls within the remit of both internal and external audit and the risk management function continuously assesses relevant legislation, guidance, advice and best practice to ensure that the systems of governance are updated and maintained at all times.

B.8.2 Any other Material Information

There is no other material information to report as at 31 December 2023.

C. Risk Profile

EICL's governance framework sets out the type and level of risk which EICL is willing to accept in the achievement of its strategic objectives. This framework provides both qualitative and quantitative measures and limits, which are taken into account in making key business decisions.

EICL's appetite is for the business to focus on the provision of motor insurance to customers who use their vehicles to make money, along with motor related ancillary covers. All business is underwritten in the UK.

As EICL only commenced trading in October 2019, the firm currently holds all financial assets in cash deposits with secure banks.

EICL's risk components with the Solvency Capital Requirement ("SCR") as at 31 December 2023 is set out in the table below:

Year ended:	<u>31-Dec-23</u>	<u>31-Dec-22</u>
Risk Category	% of SCR	% of SCR
Non-Life Risk	40.7%	33.3%
Market Risk	15.9%	32.8%
Credit Risk	25.7%	19.5%
Operational Risk	17.7%	14.4%
Total	<u>100%</u>	<u>100%</u>

C.1 Underwriting Risk

C.1.1 Material Risks

Underwriting risk arises from the risk of loss due to incorrect selection of risks or pricing leading to changes in insurance liabilities. This can arise from inadequate pricing or risk selection, inappropriate reserving, or other fluctuations in the timing, frequency and severity of insured events.

EICL distributes all business via the group intermediary in the United Kingdom. Whilst the UK motor industry is highly competitive, EICL, through the Zego brand, operates in a niche specialised segment of the market providing short term hire and reward policies to workers looking to make a living through the use of their vehicles and also complimentary SDP policies to existing customers.

However, the motor market continues to be subject to numerous regulatory and legislative changes and is highly sensitive to the economic environment, the behaviour of policyholders, the actions of other service providers to the industry, such as claimant lawyers and claims management companies and the behaviour and practices of competitors.

EICL manages underwriting risks through regular review of performance information, encompassing loss ratios, frequency, and cost of claims, policy conversion by market sub-segment.

The following are the key underwriting and reserving risks identified by management:

- Poor underwriting guidelines/ rules for the target market, resulting in unintended claims being captured or risks outside appetite being written
- Ineffective pricing models/processes, resulting in adverse Loss Ratio due to pricing not covering expected frequency/severity and/or concentration in poor risk segments
- Application fraud: Failure to deal with potentially fraudulent risks at point of application/sale, and associated claims cost
- Case Reserves / IBNR reserves set too high or too low; claims settling at higher/lower levels than anticipated leading to higher/lower than expected profit/solvency and Underwriting based on incorrect information
- Claims Fraud: Failure to deal with potentially fraudulent claims, which increases claims cost unnecessarily

C.1.2 Material Risk Concentrations

EICL's business comprises solely of motor insurance, therefore leading to some risk concentration due to exposure to market factors. However, within this class of business, EICL writes a variety of different categories of risks within the verticals of Delivery, Ride-Hailing and Motor Fleet; further the shorter-term policies allow the business to respond quickly on pricing to changing market conditions.

C.1.3 Risk Mitigations

EICL seeks to mitigate underwriting risk through the purchase of reinsurance protection and the implementation of appropriate controls.

EICL purchases both Excess of Loss and Quota Share reinsurance from reputable Reinsurance partners rated "A" and above, to protect the business against the impact of large losses and to assist with the effective management of capital. The Excess of Loss programme covers all losses in excess of £1.0m (£0.5m prior to 1 March 2022) after allowing for indexation, and the company has also purchased a proportional Quota Share reinsurance treaty such that the company retains 20% of each and every motor risk. It has been agreed that as from 1st March 2023, the EICL retention will increase to 30%.

In addition, EICL further mitigates underwriting risk through the following:

- Price monitoring and review of individual segments/risk factor analysis

- Mix of business reporting. Monthly analysis and review of performance including loss ratios, frequency, and business mix
- Periodic claims performance MI
- Periodic internal audits within the claims team
- Independent technical claims audits
- Annual independent review of reserves and Actuarial Function Holder review
- Regular reports of quotes, business written, claims and loss ratios provided to the Board and management
- Ongoing review of performance and footprint by management
- Appropriate reports produced for Claims and Pricing & Underwriting Committees
- Board sign-off of Excess of Loss and Quota Share reinsurance programmes
- Periodic audits of claims handler
- Reports to the board on sanctions, AML and Fraud risk.

C.1.4 Stress and Sensitivity Testing

EICL carries out stress and sensitivity testing as part of the ORSA process, which is carried out at least annually. This considers stresses both with regard to business volumes, future loss ratios, default of counterparties and the run-off of existing reserves. This showed that the greatest sensitivity arises from changes in future loss ratios driven by a change in frequency of large bodily injury or deterioration in existing reserves due to changes in loss ratios. However, given the high level of reinsurance protection purchased by the firm, and that many of the risks sold by EICL are short term in nature the Board feels that EICL is in a good position to respond to adverse development of attritional loss ratios should this situation arise. The board believes that the stress testing of future loss ratio deterioration also covers an increase in claims costs arising from poor claims handling and inadequate reserving.

C.2 Market Risk

C.2.1 Material Risks

Market risk arises from changes in the income generated by investments or from changes in the value of such investments and includes:

- Interest rate risk
- Spread risk
- Equity risk
- Currency risk
- Property risk
- Concentration risk
- The Company does not hold any fixed income investments, equity holdings, property investments and is not directly exposed to movements in foreign exchange rates. The

current investment approach is focused on capital preservation and as such the firm's cash balances are held in bank deposits with secure banks.

- The main market risk to which the Company is exposed is the complete failure of a bank and falling interest rates that reduce the overall investment returns after allowing for the effect of inflation. The company is not exposed to any "mark to market" fluctuations in the value of its investments.

C.2.2 Material Risk Concentrations

EICL holds its cash assets across four different banks: Barclays, NatWest, Santander and HSBC. These banks are all A-rated or better, with NatWest being part owned by the UK Government.

C.2.3 Risk Mitigations

EICL is not exposed to market risk, however, management monitor the position through the following mechanisms:

- Regular review of cash balances and exposure to the banking counterparty
- Cash flow reviews
- Investment policy with agreed limits

C.2.4 Prudent Person Principle

EICL has an extremely conservative investment approach with all investments held in cash or short term notice accounts. At the moment this approach is felt appropriate given the composition of the firm's balance sheet and liability profile.

EICL does not hold any securitized investments, or derivative instruments. The cash balances are, by definition, liquid and there are no areas of judgement required in arriving at the value of these balances. EICL does not undertake any unusual or non-routine investment activities.

In the event that any changes to the investment approach be proposed, the Board will:

- Assess the impact on EICL's risk profile, consider whether a revised ORSA is required;
- Ensure that appropriate skills are in place to manage and monitor the investment activity – either internally or through a suitably qualified investment manager;
- Document how the change will improve the portfolio as a whole whilst complying with the Prudent Person Principle

C.2.5 Stress and Sensitivity Testing

Given the cautious nature of EICL's investment approach, stress tests during the ORSA process in respect of Market Risk have been limited to a shock to the risk free interest rate used to discount cash flows under Solvency II under the Standard Formula. The results of these stress tests did not materially alter the firm's solvency coverage.

C.3 Credit Risk

C.3.1 Material Risks

Credit risk arises from the risk that parties who owe money to EICL are unwilling or unable to pay the amounts due to EICL. Credit risk for EICL arises from a number of sources:

- Banking counterparties
- Reinsurance counterparties
- Premiums due from the UK intermediary (intra-group)

EICL aims to minimise the counterparty risk arising from its operations through the careful selection of counterparties and close management and control of amounts due to the Company. The terms of the arrangement with the UK Intermediary include strict terms of credit and the intermediary is required to hold any premiums collected in a designated client account.

C.3.2 Material Risk Concentrations

EICL's material concentrations as at 31 December 2023 are as follows:

- Exposure to a single banking counterparty. Total exposure as at 31 December 2023 amounted to £10.7m (31 December 2022: £19.7m).
- Premium debtors due from the UK service company. Total balance due as at 31 December 2023 £4.3m (31 December 2022: £3.7m) none of which was overdue.
- The balance due from reinsurers as at 31 December 2023 amounted to £0.0m (31 December 2022: £0.4m), none of this amount is falling due.
- Net amounts due from Quota Share reinsurer, £21.8m (31 December 2022: £19.6m (restated)), none of which was overdue.

C.3.3 Risk Mitigations

EICL mitigates credit risk through a number of mechanisms:

- Distribution through one intermediary with short credit terms
- Appropriate rating for reinsurance counterparties
- Use of an experienced reinsurance broker
- Appropriate rating of banking counterparties
- Document controls/checks around the collection of instalment premiums

C.3.4 Stress and Sensitivity Testing

EICL depends to a large extent on its reinsurance program in mitigating risk. Hence the credit risk arising from these arrangements needs to be appropriately managed. The risk of reinsurers suffering a credit downgrade is therefore one of the stresses considered as part of the ORSA process. Due to the diversification of reinsurers, EICL has limited exposure to this risk from an Excess of Loss reinsurance perspective, but is exposed to this risk in respect of the proportional Quota Share reinsurer that reinsures 70% of EICL's risk effective 1st March 2023 – this reinsurance

has been placed with one of the largest and strongest counterparties in the market which has a AA credit rating.

C.4 Liquidity Risk

C.4.1 Material Risks

Liquidity risk is the risk of losses from the inability of EICL to pay its liabilities as they fall due. EICL has an extremely low level of liquidity risk, due to the nature of its asset base with all funds held in cash. EICL's reinsurance partners all have strong balance sheets and as such the Board does not believe the structure of the firm's reinsurance arrangement creates any liquidity issues. EICL therefore does not have any material liquidity risk exposure.

C.4.2 Material Risk Concentrations

There are no material liquidity risk concentrations due to the investment approach of EICL.

C.4.3 Risk Mitigations

Liquidity risk is mitigated through the firm's investment approach, credit terms with the UK service company and reinsurance arrangements.

C.4.4 Stress and Sensitivity Testing

Liquidity risk is not subject to separate stress and sensitivity testing as the risk is not considered to be material to EICL.

C.4.5 Expected Profit in Future Premiums

The expected profit in future premium (excluding run-off expenses) as at 31 December 2023 is £0.5m (2022: £0.4m).

C.5 Operational Risk

C.5.1 Material Risks

Operational risk arises from failed internal processes, procedures or controls, from personnel or systems failures, from external events or from a failure to comply with legislation, regulations or other obligations. Reputational risks have also been considered in this category.

EICL has identified the following key operational risks:

- Breach of data protection rules, including GDPR

- IT system failures
- Reliance on third party outsourcing arrangements, particularly in the area of claims handling
- Reliance on key personnel

Operational risks are identified, assessed and set out in EICL's risk register, along with appropriate controls. There is a process for regular reporting of risk events. The risk register is discussed on a regular basis by the EICL Board, with input from all relevant functions and activities within the business.

The reliance on key personnel is being mitigated through EICL's hiring plan to grow the team and through formalising knowledge sharing amongst team members.

C.5.2 Material Risk Concentrations

There are no material risk concentrations.

C.5.3 Risk Mitigations

EICL has a strong internal control framework to mitigate operational risk. This encompasses the following key controls in managing operational risk:

- Four-eyes processes for MI production and analysis
- Detailed analysis and review of monthly MI
- Four-eyes processes for financial information
- Four-eyes processes for payments
- Oversight, monitoring and audits of claims handler
- Data integrity and other IT controls at service providers
- Disaster Recovery and Business Continuity plans

C.5.4 Stress Testing and Sensitivity Analysis

Operational risk is included in the Standard Formula, with an appropriate risk charge calculated. In addition, a number of operational risks would directly impact underwriting risk and are therefore also captured. As part of the ORSA process, EICL also considers those risks which may not be fully captured in the Standard Formula, in particular the exposure to outsourced service providers and various reputational risks. These risks are managed through appropriate controls and other mitigating actions, such as close involvement of the Board in all key operational decisions.

D. Valuation for Solvency Purposes

D.1 Assets

The following bases, methods and assumptions have been used in valuing each material class of assets of Solvency II purposes.

The material classes of assets as at 31 December, except for reinsurance technical provisions, are as set out in the table below:

Description	2023		2022	
	GAAP Value £'000	Solvency II Value £'000	GAAP Value £'000	Solvency II Value £'000
Deposits other than cash equivalents	18,675	18,675	11,104	11,104
Insurance and Intermediaries receivables	6,967	-	3,682	-
Reinsurance receivables	0	610	380	1,025
Receivables (trade, not insurance)	-	-	-	-
Cash and cash equivalents	3,472	3,472	9,162	9,162
Deferred acquisition and processing costs	1,159	209	315	70
Any other assets	215	215	155	155
Total	30,488	23,180	24,796	21,516

D.1.1 Deposits, Cash and Cash Equivalents

At the year end, the Company held £3.5m in cash and cash equivalents and £18.7m in fixed deposits of less than 1 year inclusive of accrued interest, with banking counterparties. All amounts are held in GBP and with banks with a credit rating of at least 'A'.

Deposits, cash and cash equivalents are valued at fair value, based on the actual balances held, and EICL has on-line access to the bank balances and also receives monthly statements.

The valuation of these assets is the same for GAAP and Solvency II and no estimates or judgements have been used. For GAAP purposes accrued interest is reported separately. There has been no change in the basis on which these items are valued and recognised.

D.1.2 Insurance and Intermediaries Receivables

Insurance and intermediary receivable items on a GAAP basis represent premiums owed to EICL from its brokers less commission and including IPT. At the year end, EICL was owed £7.0m which was due but not yet payable from the UK service company in respect of insurance premiums. As at 31 December 2023 no amounts due were overdue.

Premiums receivable are valued at fair value, being the amounts recoverable, and as no other amounts are overdue, there have been no significant estimates or judgements made in arriving at the valuation. There has been no change in the valuation and recognition basis during the year.

While the assets are valued on a consistent basis both for GAAP and Solvency II, for Solvency II valuation purposes premium debtors are set against technical provisions to the extent that they are not overdue.

D.1.3 Reinsurance receivables

The reinsurance receivables balance on a GAAP basis amounted to £0.0m as at 31 December 2023 (£0.4m as at 31 December 2022), which comprises advance payments of reinsurance premiums paid to the Excess of Loss Reinsurers.

D.1.4 Receivables (trade, not insurance)

These items are valued at fair value, being amounts recoverable and no significant estimates or judgements are required. There are no differences in valuation for GAAP and Solvency II purposes and there has been no change in the valuation and recognition during the year. EICL had no trade receivables as at 31 December 2023.

D.1.5 Deferred Acquisition and Processing Costs

Deferred acquisition and processing costs represent commission, policy administration and similar expenses directly related to the acquisition and processing of policies, which are deferred over the period relating to the underlying unearned premiums. At 31 December 2023 EICL had £0.9m of deferred acquisition costs.

The Solvency II balance sheet is prepared on the basis of best estimates of future cash flows. Deferred acquisition costs do not result in future cash flows and these amounts are therefore excluded from the Solvency II balance sheet. There has been no change in the recognition and valuation basis during the year.

D.1.6 Other Assets

Other assets of £0.2m on a GAAP basis represent deferred Motor Insurance Bureau (MIB) levies that are accrued for and earned in line with premiums, and prepayments. As these amounts do not result in future cash flows they are excluded from the Solvency II balance sheet.

D.2 Technical Provisions

Technical Provisions represent the insurance liabilities as at the reporting date. EICL's gross and net Technical Provisions by business line are set out in the table below:

2023	Motor Liability £'000	Other Motor £'000	Total £'000
Gross best estimate technical provisions	33,505	3,414	36,919
Risk margins	<u>285</u>	<u>32</u>	<u>317</u>
Total gross provisions	33,791	3,446	37,237
Reinsurance recoverables	<u>(27,882)</u>	<u>(2,714)</u>	<u>(30,596)</u>
Net technical provisions	<u>5,909</u>	<u>731</u>	<u>6,640</u>

2022	Motor Liability £'000	Other Motor £'000	Total £'000
Gross best estimate technical provisions	19,575	411	19,986
Risk margins	<u>192</u>	<u>4</u>	<u>196</u>
Total gross provisions	19,767	415	20,182
Reinsurance recoverables	<u>(15,854)</u>	<u>(333)</u>	<u>(16,187)</u>
Net technical provisions	<u>3,913</u>	<u>82</u>	<u>3,995</u>

D.2.1 Bases, Methods and Assumptions

D.2.1.1 Best Estimate

The starting point for the valuation of technical provisions is the best estimate of claims costs, both on earned and on unearned exposure, for all business written at the valuation date. This assessment is carried out internally by Artex and validated for reasonableness by the independent external actuary.

Management then apply payment patterns to the actuarial best estimate, based on historical information and reasonable assumptions and judgements, to convert the best estimate to future cash flow.

D.2.1.2 Expenses

The cost of running of the existing insurance obligations is estimated, on the basis that EICL will continue to write other business. This is based on the current levels of expenditure and takes due account of decreasing activity in the existing business lines.

D.2.1.3 Events Not in Data

There may be possible future events which are not reflected in the historical data of EICL or the market. Such events are referred to as Events Not in Data ("ENIDs").

EICL considered that an allowance for ENIDs would be immaterial at this point in time as there is no compelling evidence to indicate that any negative items would not be offset by positive ones.

D.2.1.4 Bound but not Incepted

EICL may be contractually obligated to write certain business at the year end, although the risks will not incept until the following year. For example, renewal business for January 2024 will be invited prior to 31 December 2023. At this date, the value of such business, net of reinsurance, was estimated at £0.03m.

D.2.1.5 Discounting

Cash flows are discounted using the risk free interest rate structure as provided on a monthly basis by EIOPA.

D.2.1.6 Risk Margin

The risk margin is calculated using simplification method 3. This assumes that future SCRs are proportional to the best estimate technical provisions over time and projects future SCRs at this rate. A cost of capital rate of 4% is applied to each SCR estimate and discounted back using EIOPA yield curves.

D.2.1.7 Allocation to Lines of Business

Best estimates and cash flows are calculated separately for each line of business. However, all of EICL's business comprises motor, which is required to be split for Solvency II purposes into motor liability and other motor. It is not normal practice in the UK market to rate motor business on this basis, and EICL therefore needs to apply a different methodology to calculate this split.

EICL uses claims heads of damage to split its motor business into the Solvency II classes. Bodily injury and third party property damage are allocated to motor liability, with accidental damage, windscreen, fire and theft being allocated to other motor.

D.2.1.8 Reinsurance Recoverables

EICL has reinsurance recoverables arising from its Excess of Loss and Quota Share arrangements. Such items are calculated on a consistent basis with gross technical reserves, reflecting best estimates of both expired and unexpired risks, converted to cash flows and discounted at the appropriate risk free rate.

Amounts due from and payments due to reinsurers are included in the technical provision to the extent they are not overdue. The calculation also makes allowance for the possibility of insurer default, based on the counterparty's rating and the level of exposure.

D.2.1.9 Simplifications

No material simplifications have been used in the calculation of technical provisions.

D.2.2 Uncertainty

Technical provisions require judgement and estimations and therefore contain an element of uncertainty. Key areas of uncertainty in the firm's technical provisions are:

- Outstanding reserves: Reserves on reported claims are based on reasonable estimates, reflecting information known at the balance sheet date. Ultimate settlement of these claims may differ from estimates.
- Future losses: Future losses arise on both expired and unexpired risks and the estimation of these losses is based on actuarial assumptions. Such assumptions will take account of past performance and known or anticipated future changes, and may ultimately prove to differ from actual experience.
- Other estimates: Technical provisions include assumptions as to expenses, events not in data and bound but not incepted risks. While these assumptions are prepared on a best estimate basis, reflecting historical experience where appropriate, they could ultimately prove to be inappropriate.
- Legislative and market factors: The UK motor market has been subject to material changes in the past, encompassing legislative, economic and behavioural changes. Similar changes in the future are difficult to predict, but could ultimately impact best estimates and future cash flow.

EICL seeks to minimise the level of uncertainty through a robust process involving external actuarial advice. Claims performance is closely monitored to ensure that changes in trends are identified and appropriately reflected in future projections.

D.2.3 Differences between Solvency II and GAAP Valuation

The starting point for both Solvency II and GAAP valuation of technical provisions is the actuarial best estimate reserves. Key difference between the valuation bases are:

- GAAP valuation of gross reserves may include a margin above best estimate. Solvency II valuation is required to be at best estimate and any margin is removed
- GAAP valuation includes unearned premium, being the premium which reflects the unexpired risk exposure. Under Solvency II, the unearned premium is replaced by future claims expected to arise on this unearned exposure
- GAAP reserves do not include run-off expenses

- GAAP reserves may not include events not in data
- GAAP reserves do not make allowance for bound but not incepted business
- GAAP reserves are calculated without a risk margin
- Insurance and intermediaries receivables are set against total gross technical provisions for Solvency II valuation purposes, to the extent that they are not overdue, while they are shown as a separate item on the balance sheet for GAAP reporting
- Reinsurance receivables and payables are set against technical provision reinsurance recoverables for Solvency II valuation purposes, to the extent that they are not overdue, while they are shown as a separate items on the balance sheet for GAAP reporting

The table below shows the movement from GAAP technical provisions to Solvency II technical provisions.

As at 31 December 2023	Gross Technical Reserves £'000	Reinsurance Recoverables £'000	Total £'000
GAAP reserves	49,755	41,321	8,433
Remove management margin	(2,710)	0	(2,710)
Premium debtor/creditor	6,967	(4,616)	11,583
UPR Profit/(loss)	(2,113)	(1,669)	(444)
Remove DAC	(950)	(925)	(25)
BBNI Profit (loss)	(95)	(67)	(29)
Run-off expenses and other adjustments	1,681	(1,038)	2,719
Reinsurance bad debt	-	(3)	3
Effect of discounting	(2,881)	(2,408)	(473)
Risk margin	317	-	317
Solvency II technical provisions	<u>49,971</u>	<u>30,596</u>	<u>19,375</u>

As at 31 December 2022	Gross Technical Reserves £'000	Reinsurance Recoverables £'000	Total £'000
GAAP reserves	32,509	27,052	5,456
Remove management margin	(6,380)	(3,785)	(2,595)
Premium debtor/creditor	(3,682)	(4,004)	323
UPR Profit/(loss)	(734)	(553)	(181)
Remove DAC	(244)	(314)	70
BBNI Profit (loss)	(1,020)	(816)	(204)
Run-off expenses and other adjustments	849	(338)	1,187
Reinsurance bad debt	-	(2)	2
Effect of discounting	(1,311)	(1,052)	(259)
Risk margin	196	-	196
Solvency II technical provisions	<u>20,182</u>	<u>16,187</u>	<u>3,995</u>

D.2.4 Transitional adjustments

EICL has not used any transitional adjustments with regard to the matching adjustment, volatility adjustment, transitional risk free interest rate term structure or transitional deduction.

D.2.5 Changes over the Period

There have been no changes in the assumptions made since the previous period.

D.3 Other Liabilities

The following bases, methods and assumptions have been used in valuing each material class of liabilities for Solvency II purposes.

The material classes of liabilities as at 31 December 2023, except for gross technical provisions and reinsurance payables (which form part of SII TPs), are as set out in the table below:

	2023		2022	
	Solvency II value £'000	GAAP value £'000	Solvency II value £'000	GAAP value £'000
Reinsurance payables		4,616	-	4,384
Payables (trade, not insurance)	2,819	3,782	3,093	2,691
Deferred acquisition cost - reinsurer's share		1038	-	338
Deferred reinsurance commission		925	-	314

D.3.1 Insurance and Intermediaries Payables

EICL has no insurance and intermediary payables as at the balance sheet date other than claim payments due to claimants totalling £43.4m (2021: £30.6m), which are included within technical provisions.

There have been no changes in the valuation approach during the year.

D.3.2 Reinsurance Payables

At 31 December 2023 EICL had £4.6m (2022: £4.4m) of reinsurance payables on a GAAP basis, being payments due under the Quota Share arrangement. The amount due under the Quota Share arrangement represents the reinsurer's share of premiums net of claims and XoL costs, less reinsurance commission due to EICL. Settlements are made in arrears on a quarterly basis.

These amounts are valued at fair value, being the actual amounts payable. The key estimate in deriving the Quota Share balance is the actuarial best estimate loss ratio, as this drives the commission due to EICL, which varies with the performance of the business.

There have been no changes in the valuation and recognition basis during the year, and there are no differences in the underlying valuation for GAAP and Solvency II. However, for Solvency II purposes these items, to the extent they are not considered overdue, are set against technical provisions reinsurance recoverables, whereas under GAAP they are shown separately on the balance sheet.

D.3.3 Payables and accruals (trade, not insurance)

Other payables and accruals comprise certain costs, including taxes, due at 31 December 2023 as set out below:

	2023	2022
	£'000	£'000
Claims Handling Fees	662	841
Insurance premium tax payable	880	753
MIB Creditor	779	787
Accruals	261	310
Total	<u>1,920</u>	<u>2,691</u>

These items are valued at fair value, being the amounts payable, and are valued consistently under Solvency II and GAAP. There have been no estimates or judgements and no changes in the recognition and valuation basis.

D.3.4 Deferred Reinsurance Commission

EICL receives commission from its reinsurance partners. This is earned in line with the underlying premium and commission relating to premium unearned at the reporting date is deferred to future periods. At 31 December 2023 EICL had a total of £0.9m (2022: £0.3m) in deferred commissions.

The Solvency II balance sheet is prepared on the basis of best estimates of future cash flows. Deferred reinsurance commissions do not result in future cash flows and these amounts are therefore excluded from the Solvency II balance sheet. There has been no change in the recognition and valuation basis during the year.

E. Capital Management

E.1 Own funds

E.1.1 Management of Own Funds

E.1.1.1 Objectives, Policies and Processes in Managing Own Funds

EICL has in place a Capital Management Policy to ensure that EICL has the appropriate levels and quality of capital to meet both the SCR and the internal view of capital as determined by the ORSA. The intention is for capital requirements to be met in both the immediate and medium-term future.

While EICL's ORSA process is carried out formally on an annual basis, the capital requirements and own funds to meet these requirements are considered at least quarterly as part of the quarterly regulatory reporting process. The Board discusses EICL's capital position at all meetings as part of its risk management processes and monitors ongoing performance through monthly management accounts.

There have been no changes in capital management policies or processes during the period.

E.1.1.2 Time Horizon for Business Planning and Material Changes

EICL's business planning period for capital management encompasses a three year time horizon, with emphasis on the current and next year. Given the unpredictability and historic volatility of the UK motor market, a longer time horizon would not be realistic. There have been no changes in the planning time horizon over the year.

E.1.2 Description of Own Funds

E.1.2.1 Structure, Amount and Quality of own funds

EICL currently only has basic Own Funds and no ancillary Own Funds. Own Funds are comprised entirely of Share Capital and the Reconciliation Reserve and therefore all qualify as Tier 1 funds. The table below set out EICL's Own Funds as at 31 December 2023:

	Share Capital £'000	Reconciliation reserve £'000	Total Eligible Own Funds £'000
At 1 January 2022	12,500	(1,044)	11,456
Movement in the reconciliation reserve	-	2,971	2,971
At 31 December 2022	12,500	1,927	14,427
Movement in the reconciliation reserve	-	(1,069)	(1,069)
At 31 December 2023	12,500	858	13,358

EICL's Reconciliation Reserve effectively represents retained earnings on a Solvency II valuation basis. There are no foreseeable dividends.

E.1.2.2 Terms and Conditions of Own Funds

EICL's own funds are Tier 1 funds for Solvency II purposes, and have no terms or conditions attached. There are no restrictions affecting the availability and transferability of EICL's Own funds. The own funds are not redeemable and do not carry any guaranteed dividend or other return.

E.1.2.3 Difference in Own Funds between Financial Statements and Solvency II Valuation

The difference in the valuation of own funds as shown in the Financial Statements compared to the Solvency II valuation is due to the valuation differences in the underlying assets and liabilities, as set out in the table below:

	2023	2022
	Own Funds £'000	Own Funds £'000
Own Funds per Financial statements	11,694	11,612
Move to Actuarial Best estimate	2,710	2,595
Increase in profit commission	247	1,024
Earned expense adjustment	(841)	(424)
Unearned expense adjustment	(841)	(424)
UPR profit excluding unearned expenses	444	181
BBNI	29	204
Reinsurance bad debt	(3)	(2)
Discount	473	259
Risk margin	(317)	(196)
Deferred tax liability	(238)	(402)
Own Funds per Solvency II valuation	<u>13,358</u>	<u>14,427</u>

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 SCR and MCR

EICL's SCR and MCR coverage is set out below:

	2023	2022
	Own Funds £'000	Own Funds £'000
Own Funds	13,358	14,427
Solvency Capital Requirement	6,251	5,153
SCR coverage	214%	280%
Minimum Capital Requirement	3,495	3,186
MCR Coverage	432%	453%

All capital is Tier 1 and therefore fully eligible to cover the SCR and MCR.

In accordance with the Solvency II standard formula a firm's SCR Non-Life underwriting risk is predominantly a function of the firm's volume measure for premium and reserve risk. Such volume measures are determined by taking the higher of the premium and reserve risk volume for the previous 12 months or following 12 months as at the calculation date. Such volume measures are the amounts net of reinsurance.

As at 31 December 2023, EICL complied with both its SCR and its MCR.

E.2.2 SCR by Risk Module

The following table sets out EICL's SCR broken down by risk module:

SCR Risk Category	2023 £'000	2022 £'000
Market Risk	1,271	2,267
Counterparty Risk	2,049	1,344
Non-Life Underwriting Risk	3,256	2,297
Diversification	(1,432)	(1,499)
Basic Solvency Capital Requirement	5,144	4,409
Operational Risk	1,108	744
Solvency Capital Requirement	6,251	5,153

E.2.3 Simplifications

No simplified calculations have been used in applying the standard model and no undertaking specific parameters have been used.

E.2.4 Inputs used to Calculate the MCR

The following inputs have been used to calculate EICL's MCR:

	Net (of reinsurance) best estimate technical provision £'000	Net (of reinsurance) written premiums in the last 12 months £'000
2023		
Motor Vehicle Liability	5,624	7,632
Motor vehicle other	700	156

	£'000
Linear MCR	1,260
SCR	6,251
MCR Cap	2,813
MCR floor	1,563
Combined MCR	1,563
Absolute floor of the MCR	3,495
Minimum Capital Requirement	3,495

	Net (of reinsurance) best estimate technical provision £'000	Net (of reinsurance) written premiums in the last 12 months £'000
2022		
Motor Vehicle Liability	3,722	4,023
Motor vehicle other	77	82

	£'000
Linear MCR	700
SCR	5,153
MCR Cap	2,319
MCR floor	1,288
Combined MCR	1,288
Absolute floor of the MCR	3,186
Minimum Capital Requirement	3,186

E.2.5 Changes over the Period

There have been no other material changes to EICL's SCR or MCR during the period, other than can be observed from this report as a result of growth in business.

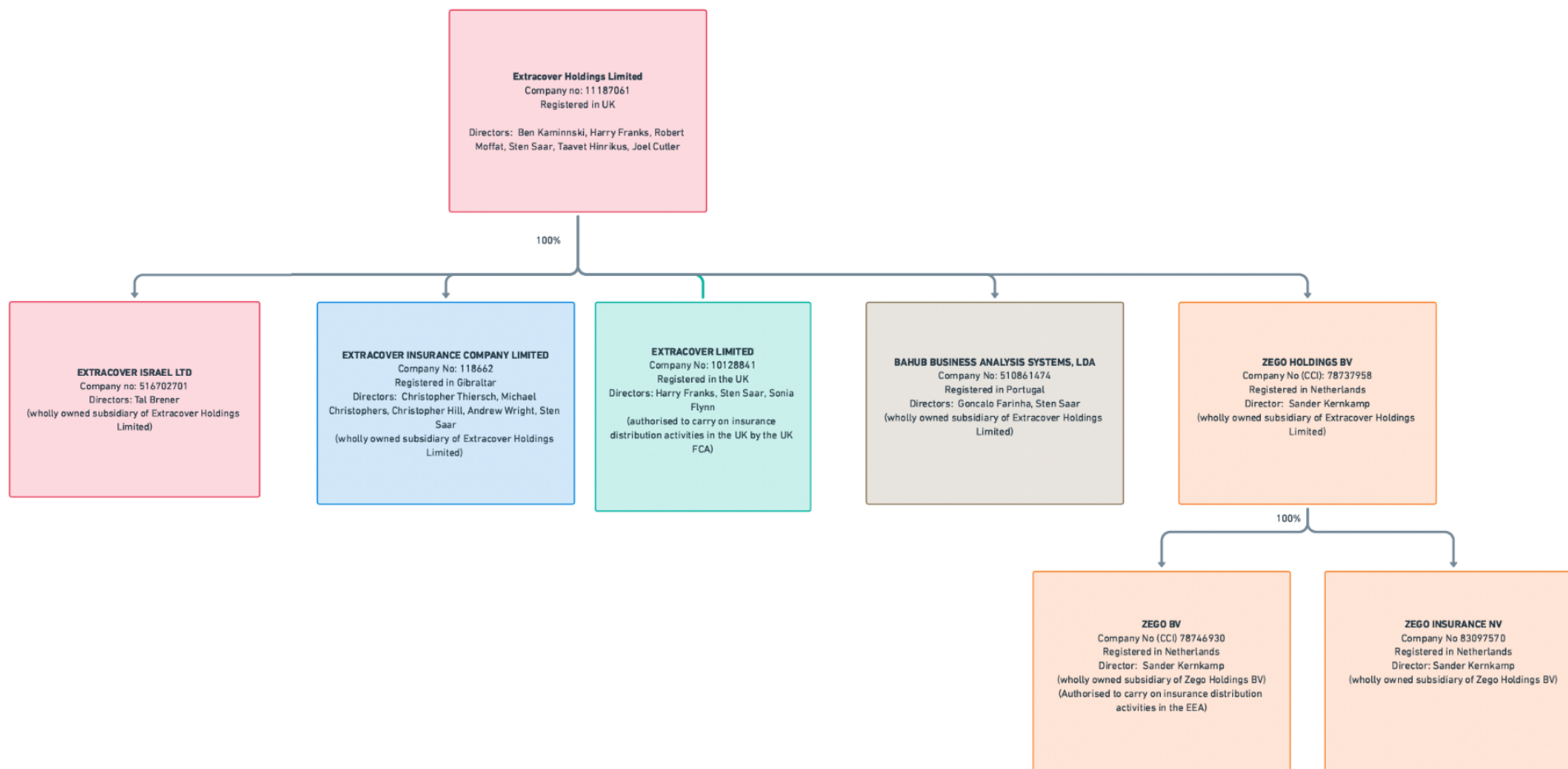
E.3 Non-Compliance with Minimum Capital or Solvency Capital Requirements

There have been no instances of non-compliance of the SCR or MCR during 2023.

APPENDICES FROM THIS POINT INCLUDING:

1. Group Structure Chart
2. S2 balance sheet
 - S.02.01.02
 - S.05.01.02
 - S.05.02.04
 - S.17.01.02
 - S.19.01.21
 - S.23.01.01
 - S.25.01.21
 - S.28.01.01

Appendix I: Group Structure Chart



Appendix II: Quantitative Reporting Templates

Annex I

S.02.01.02

Balance sheet

	Solvency II value
	C0010
Assets	
Intangible assets	R0030
Deferred tax assets	R0040
Pension benefit surplus	R0050
Property, plant & equipment held for own use	R0060
Investments (other than assets held for index-linked and unit-linked contracts)	R0070 10,171
Property (other than for own use)	R0080
Holdings in related undertakings, including participations	R0090
Equities	R0100
Equities - listed	R0110
Equities - unlisted	R0120
Bonds	R0130
Government Bonds	R0140
Corporate Bonds	R0150
Structured notes	R0160
Collateralised securities	R0170
Collective Investments Undertakings	R0180
Derivatives	R0190
Deposits other than cash equivalents	R0200 10,171
Other investments	R0210
Assets held for index-linked and unit-linked contracts	R0220
Loans and mortgages	R0230
Loans on policies	R0240
Loans and mortgages to individuals	R0250
Other loans and mortgages	R0260
Reinsurance recoverables from:	R0270 30,596
Non-life and health similar to non-life	R0280 30,596
Non-life excluding health	R0290 30,596
Health similar to non-life	R0300
Life and health similar to life, excluding health and index-linked and unit-linked	R0310
Health similar to life	R0320
Life excluding health and index-linked and unit-linked	R0330
Life index-linked and unit-linked	R0340
Deposits to cedants	R0350
Insurance and intermediaries receivables	R0360
Reinsurance receivables	R0370 247
Receivables (trade, not insurance)	R0380
Own shares (held directly)	R0390
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400
Cash and cash equivalents	R0410 12,163
Any other assets, not elsewhere shown	R0420 236
Total assets	R0500 53,413

	Solvency II value
	C0010
Liabilities	
Technical provisions – non-life	R0510 37,237
Technical provisions – non-life (excluding health)	R0520 37,237
Technical provisions calculated as a whole	R0530
Best Estimate	R0540 36,919
Risk margin	R0550 317
Technical provisions - health (similar to non-life)	R0560
Technical provisions calculated as a whole	R0570
Best Estimate	R0580
Risk margin	R0590
Technical provisions - life (excluding index-linked and unit-linked)	R0600
Technical provisions - health (similar to life)	R0610
Technical provisions calculated as a whole	R0620
Best Estimate	R0630
Risk margin	R0640
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650
Technical provisions calculated as a whole	R0660
Best Estimate	R0670
Risk margin	R0680
Technical provisions – index-linked and unit-linked	R0690
Technical provisions calculated as a whole	R0700
Best Estimate	R0710
Risk margin	R0720
Contingent liabilities	R0740
Provisions other than technical provisions	R0750
Pension benefit obligations	R0760
Deposits from reinsurers	R0770
Deferred tax liabilities	R0780 238
Derivatives	R0790
Debts owed to credit institutions	R0800
Financial liabilities other than debts owed to credit institutions	R0810
Insurance & intermediaries payables	R0820
Reinsurance payables	R0830
Payables (trade, not insurance)	R0840 2,582
Subordinated liabilities	R0850
Subordinated liabilities not in Basic Own Funds	R0860
Subordinated liabilities in Basic Own Funds	R0870
Any other liabilities, not elsewhere shown	R0880
Total liabilities	R0900 40,056
Excess of assets over liabilities	R1000 13,358

Annex I
S.05.01.02
Premiums, claims and expenses by line of business

	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	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																	
Gross - Direct Business				19,367	4,842												24,209
Gross - Proportional reinsurance accepted				9,469	2,367												11,836
Gross - Non-proportional reinsurance accepted																	
Reinsurers' share				22,606	5,651												28,257
Net				6,230	1,558												7,788
Premiums earned																	
Gross - Direct Business				17,215	4,304												21,518
Gross - Proportional reinsurance accepted				7,930	1,982												9,912
Gross - Non-proportional reinsurance accepted																	
Reinsurers' share				19,915	4,979												24,894
Net				5,229	1,307												6,536
Claims incurred																	
Gross - Direct Business				14,797	1,644												16,441
Gross - Proportional reinsurance accepted				3,396	377												3,773
Gross - Non-proportional reinsurance accepted																	
Reinsurers' share				14,551	1,617												16,167
Net				3,642	405												4,046
Expenses incurred																	
Balance - other technical expenses/income																	2,082
Total expenses																	1,014
																	3,096

Annex I
S.05.02.04
Premiums, claims and expenses by country

	Home Country	Country (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010		GB					
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written							
Gross - Direct Business	R0110	24,209					24,209
Gross - Proportional reinsurance accepted	R0120	11,836					11,836
Gross - Non-proportional reinsurance accepted	R0130						
Reinsurers' share	R0140	28,257					28,257
Net	R0200	7,788					7,788
Premiums earned							
Gross - Direct Business	R0210	21,518					21,518
Gross - Proportional reinsurance accepted	R0220	9,912					9,912
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240	24,894					24,894
Net	R0300	6,536					6,536
Claims incurred							
Gross - Direct Business	R0310	16,441					16,441
Gross - Proportional reinsurance accepted	R0320	3,773					3,773
Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340	16,167					16,167
Net	R0400	4,046					4,046
Expenses incurred	R0550						2,082
Balance - other technical expenses/income	R1200						1,014
Total expenses	R1300						3,096

	Home country	Country (by amount of gross premiums written) - life obligations					Total Top 5 and home country
	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400							
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written							
Gross	R1410						
Reinsurers' share	R1420						
Net	R1500						
Premiums earned							
Gross	R1510						
Reinsurers' share	R1520						
Net	R1600						
Claims incurred							
Gross	R1610						
Reinsurers' share	R1620						
Net	R1700						
Expenses incurred	R1900						
Balance - other technical expenses/income	R2500						
Total expenses	R2600						
Total amount of surrenders	R2700						



Extracover Insurance
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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
Technical provisions calculated as a whole																	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole																	
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
Premium provisions																	
Gross																	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	
Net Best Estimate of Premium Provisions																	
Claims provisions																	
Gross																	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	
Net Best Estimate of Claims Provisions																	
Total Best estimate - gross																	
Total Best estimate - net																	
Risk margin																	
Technical provisions - total																	
Technical provisions - total																	
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total																	
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total																	

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Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0020	Underwriting year [UWY]
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Gross Claims Paid (non-cumulative) (absolute amount)

Year	Development year											In Current year	Sum of years (cumulative)
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											R0100	
2014	R0160											R0160	
2015	R0170											R0170	
2016	R0180											R0180	
2017	R0190											R0190	
2018	R0200											R0200	
2019	R0210											R0210	
2020	R0220	590	2,397	1,346	577							R0220	577
2021	R0230	1,169	2,138	1,048								R0230	1,048
2022	R0240	858	4,908									R0240	4,908
2023	R0250	1,049										R0250	1,049
Total												R0260	7,582

Gross undiscounted Best Estimate Claims Provisions (absolute amount)

Year	Development year											Year end (discounted data)
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											R0100
2014	R0160											R0160
2015	R0170											R0170
2016	R0180											R0180
2017	R0190											R0190
2018	R0200											R0200
2019	R0210											R0210
2020	R0220	3,975	3,941	2,025	664							R0220
2021	R0230	7,096	8,674	13,367								R0230
2022	R0240	10,563	14,494									R0240
2023	R0250	6,826										R0250
Total												R0260

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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 (EU) 2015/35

Ordinary share capital (gross of own shares)

Share premium account related to ordinary share capital

Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings

Subordinated mutual member accounts

Surplus funds

Preference shares

Share premium account related to preference shares

Reconciliation reserve

Subordinated liabilities

An amount equal to the value of net deferred tax assets

Other own fund items approved by the supervisory authority as basic own funds not specified above

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

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

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand

Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand

Unpaid and uncalled preference shares callable on demand

A legally binding commitment to subscribe and pay for subordinated liabilities on demand

Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC

Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC

Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR

Total available own funds to meet the MCR

Total eligible own funds to meet the SCR

Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

Excess of assets over liabilities

Own shares (held directly and indirectly)

Foreseeable dividends, distributions and charges

Other basic own fund items

Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

Expected profits included in future premiums (EPIFP) - Life business

Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	12,500	12,500			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	858	858			
R0140					
R0160					
R0180					
R0220					
R0230					
R0290	13,358	13,358			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	13,358	13,358			
R0510	13,358	13,358			
R0540	13,358	13,358			
R0550	13,358	13,358			
R0580	6,251				
R0600	3,495				
R0620	213.69%				
R0640	382.23%				
	C0060				
R0700	13,358				
R0710					
R0720					
R0730	12,500				
R0740					
R0760	858				
R0770					
R0780	76				
R0790	76				

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S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
Market risk	R0010 1,271		
Counterparty default risk	R0020 2,049		
Life underwriting risk	R0030		
Health underwriting risk	R0040		
Non-life underwriting risk	R0050 3,256		
Diversification	R0060 -1,432		
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100 5,143		
Calculation of Solvency Capital Requirement	C0100		
Operational risk	R0130 1,108		
Loss-absorbing capacity of technical provisions	R0140		
Loss-absorbing capacity of deferred taxes	R0150		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160		
Solvency capital requirement excluding capital add-on	R0200 6,251		
Capital add-on already set	R0210		
of which, capital add-ons already set - Article 37 (1) Type a	R0211 6,251		
of which, capital add-ons already set - Article 37 (1) Type b	R0212		
of which, capital add-ons already set - Article 37 (1) Type c	R0213		
of which, capital add-ons already set - Article 37 (1) Type d	R0214		
Solvency capital requirement	R0220		
Other information on SCR			
Capital requirement for duration-based equity risk sub-module	R0400		
Total amount of Notional Solvency Capital Requirement for remaining part	R0410		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420		
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430		
Diversification effects due to RFF nSCR aggregation for article 304	R0440	3 - Not applicable as LAC DT is not used (in this case R0600 to R0690 are not applicable)	
Approach to tax rate	Yes/No		
Approach based on average tax rate	C0109		
Calculation of loss absorbing capacity of deferred taxes			
LAC DT	R0640		
LAC DT justified by reversion of deferred tax liabilities	R0650		
LAC DT justified by reference to probable future taxable economic profit	R0660		
LAC DT justified by carry back, current year	R0670		
LAC DT justified by carry back, future years	R0680		
Maximum LAC DT	R0690		

Annex I

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

MCR _{NL} Result	MCR components	
	R0010	C0010
		1,252
	Background information	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	
Income protection insurance and proportional reinsurance	R0030	
Workers' compensation insurance and proportional reinsurance	R0040	
Motor vehicle liability insurance and proportional reinsurance	R0050	4,910
Other motor insurance and proportional reinsurance	R0060	1,413
Marine, aviation and transport insurance and proportional reinsurance	R0070	
Fire and other damage to property insurance and proportional reinsurance	R0080	
General liability insurance and proportional reinsurance	R0090	
Credit and suretyship insurance and proportional reinsurance	R0100	
Legal expenses insurance and proportional reinsurance	R0110	
Assistance and proportional reinsurance	R0120	
Miscellaneous financial loss insurance and proportional reinsurance	R0130	
Non-proportional health reinsurance	R0140	
Non-proportional casualty reinsurance	R0150	
Non-proportional marine, aviation and transport reinsurance	R0160	
Non-proportional property reinsurance	R0170	

Linear formula component for life insurance and reinsurance obligations

MCR _L Result	C0040
	R0200

Total capital at risk for all life (re)insurance obligations

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

Overall MCR calculation

	C0070
Linear MCR	R0300
SCR	R0310
MCR cap	R0320
MCR floor	R0330
Combined MCR	R0340
Absolute floor of the MCR	R0350
Minimum Capital Requirement	R0400