FM Insurance Company Limited

Solvency and Financial Condition Report

2023

Contents

Summary

Current year performance

The principal activities of FM Insurance Company Limited ("FMI" or the "Company") and its subsidiary, FM Engineering International Limited (the "Group"), for the year ended 31 December 2023 continued to be the underwriting of property insurance risks and the provision of related engineering and loss prevention services to large and medium sized clients in the UK.

FMI gross written premium increased to £208.0m from £185.4m (12.2%). The net loss ratio decreased to 39% (2022: 66.2%) and the expense ratio was 67.1% (2022: (29.5)%) driven mainly by foreign exchange losses of £39.9m (2022: gains of £71.8m). The current year decrease in the loss ratio is primarily driven by a lower volume of large loss events compared to the prior year. Realised and unrealised gains on investments amounted to £72.7m (2022: loss of £89.3m) as a result of movements in market valuations and investment holdings.

The profit for the year together with other movements described in the consolidated statement of comprehensive income increased shareholder's funds by £79.7m to £848.5m as at 31 December 2023.

2023 Solvency and financial condition

A risk appetite framework is in place which highlights the key risks to FMI and provides a way of monitoring the Company's risk tolerances on a regular basis. The Risk Management Committee ("RMC") regularly reviews the status of this framework and is responsible for putting into place action plans, as required. The framework is used to determine the key risk areas that are required to be incorporated in the capital modelling. The results are fed back into the framework to verify the limits and tolerances remain appropriate.

The main risk areas which affect FMI are:

- Underwriting risk due to the nature of the business; and
- Market risk due to the level of equity securities held.

Additional risk categories included in the solvency calculation are counterparty risk and operational risk; both prescribed risk categories, but neither of which are significant components of the FMI solvency calculation.

Group risk is not included as a separate element of the solvency calculation as the failure of FMI's parent, Factory Mutual Insurance Company ("FMIC"), does not fall within the 99.5% confidence level threshold of the calculation. The current ratings of the FM Global ("FMG") group, comprising of FMIC and its branches and subsidiaries, are AA (Very Strong) from Fitch Ratings, A+ (Superior) from A.M. Best and A+ (Strong) from Standard & Poor's. These ratings indicate that the likelihood of default is significantly more remote than the one in 200-year scenario used for the solvency calculation. Despite this, group risk is still included in FMI's risk register and monitored regularly by FMI's senior management and Board. The risk of FMIC defaulting on its reinsurance balances with FMI is included within the counterparty risk section of the model consistent with external reinsurers.

Capital management

The capital modelling process for FMI includes the standard formula ("SF") calculation and a separate internal calculation to support the Own Risk and Solvency Assessment ("ORSA"). A summary of the SF model including the capital requirement and solvency coverage is presented in the table below:

	2023 £000s	2022 £000s	Variance £000s
Eligible own funds	844,871	760,804	84,067
Solvency capital requirement (SCR)	365,179	303,458	61,721
Surplus	479,692	457,346	22,346
Coverage of SCR[1]	*231.4%*	*250.7%*	*(19.3%)*

A more detailed breakdown of the capital modelling results, by risk type, is included in section C.

The increase in eligible own funds of £84m is mainly driven by the investments, including both investment income and unrealised gains on the investment portfolio.

The increase in the solvency capital requirement of £62m is primarily driven by market risk generated from equity risk and foreign currency risk as a result of an increase in the market value of collective investment holdings, new investments, and the movement in the symmetric adjustment factor provided by the PRA.

As a result of the movements in the SCR and own funds, the Company's solvency coverage ratio decreased to 231.0%.

The method of calculation for the SF is set out in the Commission Delegated Regulations (Delegated Acts) which were devised by the European Commission and are retained as UK regulation[2]. There is no ability to adjust the core calculation, except for simplification options in some of the individual risk elements. Of these, only the simplification applying to the risk margin is considered appropriate for FMI due to the short tail and monoline nature of the business.

Due to the limited options to tailor the calculation, FMI is unable to fully incorporate into the SF the total benefit of the stop loss treaty with FMIC. The treaty is applied only within the catastrophe risk calculation as mitigating reinsurance. The capital charge therefore understates the benefit the stop loss treaty would provide to FMI in a volatile calendar year, capping the combined ratio at 125%. Management understand the SCR calculated using the SF is conservative but agree it remains appropriate. FMI continues to have adequate capital coverage despite this conservatism.

The ORSA calculation is less prescribed than the SF and designed by FMI to focus on the main risk areas for the type of business written. Under the ORSA filed with the PRA in 2023, in respect of the 2022 year-end, FMI's capital coverage was 1959%. Whilst the ORSA covers the same key risk areas as the SF, the calculation allows for some of the risk elements to be modelled in a way that is more representative of how the business operates.

[1] Coverage of SCR calculated as eligible own funds divided by SCR

[2] The calculations are in accordance with the rules of the PRA rulebook, which transposes the Solvency II directive into UK legislation

Capital coverage under the SF is lower than the ORSA, however management are comfortable with the SF capital coverage due to the Company's approach to managing capital. This involves managing assets, liabilities and risks in a coordinated way, and taking appropriate action to maintain the capital position of the Company in light of changes in economic conditions and risk characteristics. Management understands the underlying reasons for the higher risk charge under the SF are in respect of the stop loss cover with FMIC being restricted, together with the capital charge relating to equity risk not being included in the ORSA calculation. The combined cash and bond balances held by FMI are sufficient to cover the capital requirement, and therefore the ORSA does not model the balances invested in equities due to them being free/excess assets.

Balances within this report are determined according to the valuation rules set out in the Delegated Acts.

Sensitivity tests and stress and scenario testing have been performed and overseen by the RMC on both the ORSA and SF models, to ensure management and the Board are aware of the key drivers and sensitivities of the capital models.

Outlook for 2024

The Company has a sustainable book of business, and the expectation is that premium will increase from the 2023 level. The Company remains focused on the UK market.

The Company adopts a long-term view of risk and opportunities and does not expect any significant changes in the investment strategy during 2024.

With regards to the ongoing conflict between Russia and Ukraine, the Company is monitoring developments relating to the conflict and acts in accordance with UK Government regulations and sanctions. The Company does not underwrite any risks in either Ukraine or Russia.

FMI has a limited exposure in Israel and in response to the ongoing conflict, a remote servicing strategy has been implemented for our clients located there.

Governmental and societal responses to climate change risk continue to develop. The Company is committed to identifying the impact of climate change risk on the business and developing appropriate action plans to address and mitigate such risks.

The Company expects to remain fully compliant with both the minimum capital requirement (MCR) and SCR requirements and continues to monitor its solvency position monthly against internal guidelines.

Directors' report

Directors

The Directors who held office during the year and to the date of this report are as follows:

William K. Bradshaw	Managing Director
Christopher M. Dempsey	
Jonathan W. Hall	
Omar F. Hameed	
Kevin S. Ingram	
Natalie Spotswood	
Thomas S. Keevil	
Peter C. Wilson	

Statement of Directors' responsibilities

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulation Authority ("PRA") rules and Delegated Acts.

The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that the Company must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Company must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names are listed above, confirm that, to the best of their knowledge:

(a) Throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA rules and Delegated Acts as applicable; and
(b) It is reasonable to believe that, at the date of the publication of the SFCR, the Company continues to comply, and will continue to comply in the future.

On behalf of the Board

Kevin S. Ingram
Director
5 April 2024

Auditor’s report

Report of the independent external auditor to the Directors of FM Insurance Company Limited (the ‘Company’) pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

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

Opinion
Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2023:

- The ‘Valuation for Solvency Purposes’ and ‘Capital Management’ sections of the Solvency and Financial Condition Report of the Company as at 31 December 2023 (‘the narrative disclosures subject to audit’); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 (‘the templates subject to audit’).

The narrative disclosures subject to audit and the templates subject to audit are collectively referred to as the ‘relevant elements of the Solvency and Financial Condition Report’.

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

The ‘Business and Performance’, ‘System of Governance’ and ‘Risk Profile’ sections of the Solvency and Financial Condition Report;

Company templates S05.01.02 and S19.01.21; and

The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (‘the Responsibility Statement’).

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of FM Insurance Company Limited as at 31 December 2023 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ‘ISA (UK) 800 (Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks’ and ‘ISA (UK) 805 (Revised) Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement’. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC’s Ethical Standard as applied to public interest entities, and we have fulfilled our

other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

- confirming our understanding of the Directors' going concern assessment process and challenged the Directors' assessment which covers the period of 12 months from the date of approving the Solvency and Financial Condition Report;
- evaluating the performance of the Company and management's forecast of its financial solvency and liquidity, including stress scenarios; and
- evaluating the financial strength of the parent company, Factory Mutual Insurance Company, in consideration of the ability of the parent company to meet its obligations under the reinsurance arrangements with the Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from the date of approving the Solvency and Financial Condition Report.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Emphasis of matter – basis of accounting and restriction on use

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

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

Other information

The Directors are responsible for the Other Information contained within the Solvency and Financial Condition Report.

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations.

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

In preparing the Solvency and Financial Condition Report, the Directors are responsible for assessing the Company's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report

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

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act, the Company's authorisation conditions and other regulatory requirements of the PRA and the Financial Conduct Authority ('FCA') and His Majesty's Revenue and Customs ('HMRC').
- We understood how FMI is complying with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board, Risk Management Committee and Risk and Compliance Committee (subsequently the Audit and Risk Committee); and gained an understanding of the Company's approach to governance, compliance and internal control.
- For the laws and regulations noted above, we considered the extent of compliance with them as part of our procedures on the related items in the relevant elements of the Solvency and Financial Condition report.
- Our procedures involved: making enquiries of those charged with governance and senior management of their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with the FCA and the PRA.
- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the relevant elements of the Solvency and Financial Condition Report to material misstatement, including how fraud might occur, by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud.
- We also considered areas of significant judgement and the impact these have on the control environment. The fraud risk, including management override, was considered to be higher within the valuation of claims outstanding. Our procedures included:
    - Reviewing accounting estimates for evidence of management bias. Supported by our actuarial team, we assessed if there were any indicators of management bias in the valuation of claims outstanding.
    - Testing the appropriateness of journal entries recorded in the general ledger, with a focus on manual journals and evaluating the business rationale for significant and/or unusual transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report on the Solvency and Financial Condition Report.

Report on Other Legal and Regulatory Requirements

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

DocuSigned by:

Ernst & Young LLP

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Ernst & Young LLP
London
5 April 2024

The maintenance and integrity of the FM Insurance Company Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.

A. Business and performance

A.1 Business

FMI is a UK company and a wholly owned subsidiary of FMIC which is its immediate and ultimate parent.

The business model for FMG, the communicative name for FMIC and its subsidiaries, is based on providing worldwide insurance coverage and FMI plays a key role in this. The FMI licence assists FMIC in insuring clients in locations where FMIC does not have a licence.

FMI writes commercial property insurance for multinational companies. FMI's aim is to provide competitively priced insurance to multi-national companies based in the UK. FMI also aims to assist in servicing the needs of those clients headquartered throughout the world that have locations in the UK.

FMI has a stable book of business and there are no plans to expand into new lines of business. Whilst the Company will continue to provide insurance under the current model, FMG is constantly looking to improve and develop the overall service offering provided to its customers and maintain a high level of client retention.

The parent company, FMIC, is a mutual company which is owned by and accountable to its policyholders. Being a mutual company allows FMG to take a long-term strategic view, to provide clients with large, stable insurance capacity and to help FMI absorb and withstand short-term volatility in operating results.

The principal ethos of FMG is that 'the majority of loss is preventable' and by employing and utilising engineers and loss prevention specialists the Company aims to minimise the losses to clients and the impact of those losses should they occur. The business model has remained consistent since the incorporation of FMI in 1963.

Financial supervision of FMI is undertaken by the PRA and an external audit of the SCR, technical provisions and selected quantitative reporting templates ("QRTs") is performed by Ernst & Young LLP ("EY") on an annual basis. Willis Towers Watson ("WTW") are contracted to complete a back testing and validations audit on the technical provisions on a regular basis.

Contact details for these organisations can be found within the Appendices.

A.2 Underwriting performance

FMG is known as an insurer specialising in the highly protected risk market and is the main underwriter of this business. Clients are typically Global 1000 companies that utilise and value the bundled professional service offering consisting of professional property engineering expertise, experienced property underwriting teams, inspection and loss control services, training and research.

FMI provides its policyholders with all-risk policies providing fire and extended coverage, boiler and machinery, difference in conditions, ocean cargo, cyber or any combination of these lines of coverage.

As noted above, the philosophy of FMI is that the majority of loss is preventable and as a result, the Company employs engineers to inspect insured's locations and work with them to minimise the risk of a loss occurring or, if it does, to minimise the impact to the insured. This partnership with the client is a key factor in the high level of business retention year on year.

Each year, the Company sets key result areas ("KRAs"), in support of those of FMG, which are used to measure performance and to form the basis of the incentive scheme. The KRAs that the Company measures are:

- Combined Ratio;
- Premium Retention; and
- New Business.

Throughout the year management reports are measured against these KRAs and employees are updated on the progress of the Company against the objectives. For more details in relation to the KRAs see page 19.

During 2023 the Company had a combined ratio of 107%. Premium retention for the year was 104.3% and new business was 7%.

The Company UK GAAP annual results are provided below:

	2023 £000s	2022 £000s	Variance
Gross premium written	208,035	185,368	22,667
Net premium written	51,128	46,216	4,912
Gross premium earned	191,678	180,682	10,996
Net premium earned	46,877	44,599	2,278
Gross claims incurred	71,561	78,727	(7,166)
Net claims incurred	18,270	29,518	(11,248)
Gross loss ratio	37%	44%	(7%)
Net loss ratio	39%	66%	(27%)
Net expenses	31,825	(12,939)	44,764
Expense ratio	67%	(29%)	96%
Combined ratio	106%	37%	69%
Investment returns	94,003	(74,543)	168,546

FMI predominately insures commercial property, however a small volume of goods in transit is also covered at the clients' request. This makes up less than 5% of FMI's written premium.

The current year decrease in the net loss ratio is driven by a decrease in the frequency and severity of large loss events compared to the prior year. The movement in net expenses is driven by the impact of a foreign exchange loss in the year of £39.9m as compared to a foreign exchange gain of £71.8m in 2022.

The table below shows an analysis of gross premium written, gross premium earned, gross claims incurred, gross operating expenses, reinsurance balances and net assets by line of business, including the assumed business that relates to insurance programmes for which FMI is not the primary policy issuer. This table presents the consolidated position:

2023	Gross premium written £000s	Gross premium earned £000s	Gross claims incurred £000s	Gross operating expenses £000s	Reinsurance balance £000s	Total £000s	Net assets £000s
Marine, Aviation and Transport	5,679	5,423	(4,922)	(2,507)	(211)	(2,217)	23,163
Fire and Other	193,340	178,267	(61,751)	(85,340)	(32,649)	(1,473)	788,588
Assumed	9,016	7,988	(4,888)	(3,980)	1,499	619	36,774
Total	208,035	191,678	(71,561)	(91,827)	(31,361)	(3,071)	848,525

2022	Gross premium written £000s	Gross premium earned £000s	Gross claims incurred £000s	Gross operating expenses £000s	Reinsurance balance £000s	Total £000s	Net assets £000s
Marine, Aviation and Transport	5,434	5,076	(3,772)	535	(2,454)	(615)	22,538
Fire and Other	173,766	169,669	(69,532)	17,098	(88,444)	28,791	720,720
Assumed	6,168	5,937	(5,423)	607	(1,241)	(120)	25,583
Total	185,368	180,682	(78,727)	18,240	(92,139)	28,056	768,841

The tables above are included within note 2 of the UK GAAP financial statements ("UK GAAP FS”).

The underwriting policy and guidelines within FMI rely on engineering assessments of client sites and the expert knowledge and experience within the Company regarding the likelihood and severity of losses. Premium is based on potential exposures as well as loss prevention reports and the clients’ commitment to risk improvement. A key aim of FMI is to retain a profitable client base whilst also focusing on profitable growth via new business. As such these are two of the KRAs referred to previously.

The following table reflects the gross written premium by geographic area:

2023	Direct £000s	Assumed £000s	Total £000s
Resulting from contracts concluded:			
In the UK	199,019	9,016	208,035

2022	Direct £000s	Assumed £000s	Total £000s
Resulting from contracts concluded:			
In the UK	179,200	6,168	185,368

The tables above are included within note 2 of the UK GAAP FS.

To mitigate the impact of claims on FMI there is a significant reinsurance programme in place which incorporates treaty, facultative, captive and group reinsurance. Captives are used at the request of the client, with facultative or in-house treaty reinsurance utilised as required. If the risk exceeds the in-house treaty limit, additional facultative reinsurance can be purchased, within approved guidelines.

A.3 Investment performance

FMI invests primarily in the US equity and bond markets. The information in the following table, included within note 10 of the UK GAAP FS, reflects the movements in equity and bond investments held during 2023 including realised and unrealised gains and losses:

2023	Equity investments £000	Debt securities £000	Total £000
At beginning of year	325,138	291,472	616,610
Additions	185,095	89,174	274,269
Disposals	(126,570)	(69,582)	(196,152)
Realised gains/(losses)	6,089	(4,731)	1,358
Unrealised gains	57,315	14,025	71,340
Exchange adjustments (losses)	(16,121)	(19,070)	(35,191)
At end of year	430,946	301,288	732,234

The movements in equity and bond investments held during 2022 were:

2022	Equity investments £000	Debt securities £000	Total £000
At beginning of year	310,112	304,786	614,898
Additions	58,327	44,304	102,631
Disposals	(29,400)	(49,486)	(78,886)
Realised gains	4,017	(2,417)	1,600
Unrealised (losses)	(46,774)	(44,104)	(90,878)
Exchange adjustments - gains	28,856	38,389	67,245
At end of year	325,138	291,472	616,610

The increase in investment holdings is driven by the purchase of collective investments during the year together with unrealised gains, partially offset by movements in exchange. FMI's investment strategy remains unchanged, and the Company continues to hold a significant amount of equities. The management of FMI's investment portfolio is outsourced to FMIC, with oversight by the FMI Finance Manager, with the objective of strengthening the Company's financial position and thereby the capacity to provide for the insurance needs of policyholders. These needs include stability and growth of policyholder surplus as well as liquidity to cover losses.

The Company's investment strategy is to hold a diversified portfolio of investments to provide a balance between higher risk items and lower risk items. FMI is a total return investor and believes over the longer-term, equity investments will generate higher returns than fixed income securities. The Company is aware this investment approach may generate short term volatility and accepts this risk.

A.4 Performance of other activities

The only costs excluded from the technical account are investment income, unrealised gains and losses on investments, and other finance charges.

There are no anticipated major costs in the future planning period.

A.5 Any other information

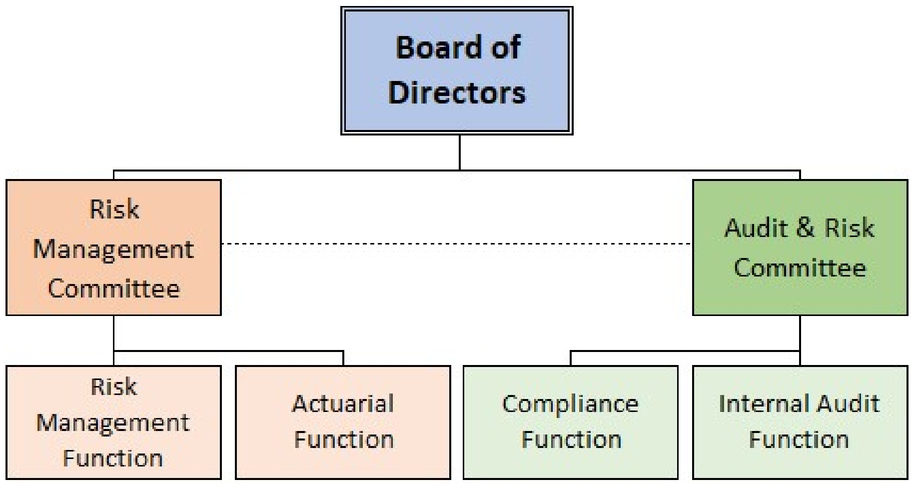
The Company is not aware of any other disclosures that need to be made at this time.

B. System of governance

B.1 General information

FMI is governed by a Board which includes executive directors, non-executive directors (“NEDs”) and independent non-executive directors (“INEDs”). The Board has overall responsibility for the management of the business including strategic and risk management decision making. The Board meets at least three times a year. The Audit and Risk Committee (“ARC”) assist the Board in fulfilling its responsibilities.

The system of governance is reflected in the diagram below:



The ARC shall consist of no fewer than three directors, none of whom shall be an officer of the Company, and meet at least three times a year. Their responsibilities include overseeing the Internal Audit function, approving the external audit plan and reviewing both internal and external audit reports, in addition to ensuring the Company’s risk management framework and controls comply with all relevant requirements, reporting any identified gaps or breaches to the FMI Board. The ARC receives reports and consults with the Risk Management Committee (“RMC”) members as needed on any material breaches of risk limits and the adequacy of proposed risk mitigation, taking into account the regulatory environment.

The RMC is established to implement and manage the Company’s risks and risk management framework. It is an executive committee, made up of senior management from across the business, that has the power to make decisions regarding the Company’s risk management policies and practices. It also provides recommendations to the Board, the ARC and to the FMG Business Risk team. The RMC contains two executive directors in addition to members of senior management from the key functions in the business. Their responsibility is to oversee the risk function on a day-to-day basis and monitor that the Company remains within the risk appetite and tolerance levels. The RMC meets no less than four times per year.

The following Solvency II key functions are established within the Company with clear reporting lines, as shown on the above diagram:

- Risk Management function
- Actuarial function;
- Compliance function; and
- Internal Audit function.

The Risk Management System section B.3 provides more details on these functions.

To assist the effectiveness of the governance processes and the functionality of the Board, all Board members are invited to attend all the Board Committee meetings and are generally provided with all Board Committee papers in advance, enabling them to review the reports and to raise questions.

The INEDs are paid an annual fee by FMI in accordance with the FMI Remuneration policy.

The executive directors are eligible for the payment of incentives in accordance with the FMI Remuneration policy which states "The objective of the incentive plans is to provide employees with variable compensation for performance that contributes significantly to the sustained success of FMG, and which is directly related to the employee's contribution to exceptional group results."

The incentive scheme is principally based on the three KRAs as noted on page 14:

Combined Ratio
The combined ratio is calculated as the sum of the loss ratio (net losses incurred divided by net premium earned) and expense ratio (net underwriting expenses incurred divided by net premium earned) for the period.

Premium Retention
The premium retention is calculated as the premium in force at the end of the period (total annualised premium on all policies that have not expired or been cancelled) compared to the premium in force at the previous year end, excluding the effect of new business written during the year.

New Business
The new business premium is the total annual premium of new policies written during the year.

Each of these KRAs are evaluated annually and targets for the year are approved by the Board.

The KRAs and incentive plans are aligned with the overall performance of FMG. This restricts the potential for incentive driven strategies that do not benefit FMG.

The following table, included within note 7 of the UK GAAP FS reflects the remuneration to the directors:

	2023 £000s	2022 £000s
Aggregate remuneration in respect of qualifying services	1,019	1,103
Aggregate amounts receivable under long term incentive plans	67	277
Total	1,086	1,380

The aggregate remuneration and amounts receivable under long term incentive schemes of the highest paid director was £481,000 in 2023 (2022: £673,000). There have been no other material transactions during the reporting period with members of the Board, senior management or other potential persons exercising significant influence over the Company.

B.2 Fit and proper requirements

FMI has a Fit and Proper Standard which applies to those employees within scope of the fit and proper requirements. The standard outlines how such employees are identified, the assessment criteria, the assessment process and the process to maintain compliance with the requirements.

The purpose of the standard is to ensure persons occupying key positions within the business possess appropriate qualifications, knowledge, and experience. Such persons must be of good repute and integrity, meeting the criteria specified in the FIT section of the FCA Handbook.

Persons occupying key positions within FMI are:

- Directors;
- Senior Management Functions/Key Function Holders under the Senior Managers and Certification Regime;
- Members of the Risk Management Committee; and
- Legal Representatives/Branch Managers.

The standard is owned and maintained by the Law and Governmental Affairs ("L&GA") function and at a minimum reviewed and approved annually by the RMC. The RMC monitors compliance with the standard and has ultimate responsibility for ensuring the relevant employees are identified and meet the requirements of the standard.

There is an ongoing responsibility on both executive management and those persons occupying key positions to maintain their fit and proper status throughout their tenure in that role.

B.3 Risk management system

The Board and management recognise the importance of risk management in ensuring the business can fully capitalise on the opportunities available to it as well in mitigating potential loss. Risk management is an integral part of the strategic planning process of FMI and is incorporated into the business plan. The Board aims to ensure that effective risk management practice remains embedded in the Company culture and throughout all the activities performed within the Company.

Risk management can be evidenced throughout the business processes of FMI. A Risk Report is prepared by engineers when they conduct site visits at an insured's location; (or a prospect's location in the case of potential new business). The Risk Reports are used by the account teams to underwrite the account, set limits and deductibles, and buy reinsurance if needed. Copies of the Risk Reports are also provided to the insured to advise them of any recommendations made to improve the risk quality at the visited location. There are also additional tools available to the account teams and engineers to assist them in their assessment of risk and in the communication with the insured (e.g. underwriting guidelines, MyRisk, RiskMark scores etc.).

The FMI RMC was established to provide oversight of the Company's risks and risk management systems. As noted previously, it is an executive committee that has the power to make decisions regarding the Company's risk management policies and practices.

The RMC is comprised of several members of the senior management team including:

- Division Manager (Chair);
- Finance Manager;
- Underwriting Manager;
- Engineering Manager;
- Claims Manager;
- AFM Manager;
- Compliance Officer; and
- Branch Manager of any Branch that is separately regulated from the licence issued and regulated by the PRA in the UK.

The RMC is responsible for maintaining the Risk Management policy and ensuring it is applied consistently across FMI. It is also responsible for the risk appetite framework which details the limits and tolerances the Company will accept in each of the key risk areas.

Subject matter experts contribute to the identification of risks faced by the Company, which are then evaluated and reviewed by the RMC. Risks that have the greatest potential for adverse impact are held in a Company risk register which is monitored and regularly reviewed by the RMC. These risks cover all areas of the business including, but not limited to; market, underwriting, credit, group, liquidity and compliance risk. The criteria for risks to be included on the Company risk register are based on a combination of severity and frequency factors along with the judgement of the RMC. Each risk on the register must be reviewed by the risk owner at least annually, however risks with a high rating are reviewed more frequently.

The risk management framework is subject to enhancement and improvement as opportunities to do so are identified. The current framework includes:

- The utilisation of WTW for expert actuarial review and guidance;
- A strongly embedded risk appetite monitoring control system;
- Alignment of the risk register with the FMG group; and
- Thorough reviews with Company experts.

The risk appetite monitoring system is based on the tolerances and limits outlined within the risk appetite framework. The risk appetite of FMI is focused around the key risks and therefore the majority of tolerances and limits relate to underwriting risk. These include targets for the combined ratio, premium retention and new business, as well as policy limits. The framework is regularly reviewed and the discussions arising from these reviews may prompt updates to the framework narrative or limits being adapted to ensure ongoing alignment with the business and its exposures. The framework is a working document and as such, is expected to evolve with the business.

The RMC reviews, monitors and documents significant risks. Strategies and operational controls are considered and evaluated to ensure the minimisation and effective management of each risk. There is also a standing item on the RMC agenda to consider any operational changes that are occurring and the resulting potential for any new risks arising, together with emerging risk and climate risk standing agenda items. Depending on the operational change being considered, a discussion is held regarding re-running the ORSA process to quantify the effect on capital. To assist with the identification of new risks there are policies in place for each of the risk categories, reviewed at least annually, which define that risk area and provide examples of the types of risks to be considered and potential controls to mitigate that risk.

The materiality of risks is determined during the development of the risk profile by considering the consequences, likelihood and controllability of each risk. The assessment of risk is based on quantitative and/or qualitative factors.

The risks from the risk register are a key input into the solvency capital model. The RMC are involved in the review of the ORSA and their familiarity with the risks involved gives them a good understanding of the expected capital charge and coverage.

In addition to risks identified in the risk register, FMI's approach is to minimise risk internally as demonstrated by the levels of review and audit within the Company. Regular audits of engineering, claims, and underwriting processes and procedures take place to ensure that systems and controls are adequate and being followed. In addition, whenever a significant claim occurs, a review of the underwriting and engineering assessments for that location occurs to determine whether any lessons can be learnt and applied going forward.

Assets held for solvency purposes are segregated between long-term and short-term holdings. Short-term assets are held for working capital purposes and with a policy of neutrality on foreign currency. Cash deposits and short-term investments are held in USD, unless required for a specific liability, when the amount required would be held in the relevant transaction currency, if appropriate.

Short-term assets are held to provide the day to day working capital for the Company. The level of assets held is based on rolling 12-month cash flow forecasts prepared at a currency level. Any excess cash is put into long-term investments in accordance with the global Investment policy.

ORSA

The ORSA process is completed annually starting in April in order to have provisional results available for the business strategy planning process each year.

In certain circumstances, an additional interim or partial ORSA will be run. Examples of the potential triggers for an interim or partial ORSA include:

- Changes to the business structure;
- Significant proposed changes to the investment portfolio; and
- Changes to strategy arising during the planning process.

This list is not exhaustive, and at each RMC meeting any significant changes to the business or the risk register are discussed and the need for an interim or partial ORSA is considered.

The ORSA is a method of assessing, in a continuous and prospective way, the solvency of an entity, the potential to deal with severe loss scenarios and the ability to continue operating as a going concern. The ORSA process is clearly defined within the ORSA policy, outlining specific action items that are followed to ensure all material and emerging risks are considered within the modelling process. It forms an important component of the risk management framework, culminating in the creation of an ORSA report at a minimum on an annual basis.

The RMC drives the ORSA process by reviewing key inputs as well as performing a preliminary review of the outputs. The Board has ultimate control of the process and performs the final review and sign off.

A review is performed of the levels of coverage arising from each solvency calculation, with FMI's own solvency assessment compared against the regulatory solvency assessment to determine whether additional cover is required. As FMI is very well capitalised no further actions were taken as a result of the latest review.

B.4 Internal control system

FMI has a strong control environment in place throughout the business and this is modelled on the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") framework. The internal control system within FMI consists of five key components, namely:

- Control environment;
- Risk assessment;
- Control activities;
- Information and communication; and
- Monitoring activities.

These headings will be used to describe the FMI internal control system, including any details on the key procedures in place.

Control environment

The Board and senior management of FMI lead by example regarding the importance of internal control and play an integral part in setting the expectations at all levels within the Company. The ARC addresses key components of the internal control system, as outlined in section B.1.

The RMC, with oversight from the Board, regularly reviews, approves, and monitors adherence to the various policies that govern FMI management and employees.

The Compliance Officer provides a report at each meeting of the ARC, covering areas such as anti-bribery and corruption, money laundering and whistleblowing.

Risk assessment

FMI has an established process for identifying and assessing the risks involved in achieving the business' objectives. As noted above, a risk register is maintained and overseen by the RMC which identifies, assesses, rates and records the significant risks faced by FMI.

The risk register also serves as a tool for Internal Audit in the development of the annual risk-based audit plan.

Control activities

Control activities support the internal control system within FMI and are closely aligned with risk assessment. Management are tasked with enacting policies and procedures that help to prevent, detect or mitigate the risks identified in the ongoing risk assessment process.

Control activities are built around the general business processes, such as treasury and accounts payable, as well as processes specific to the insurance industry, such as underwriting and claims management. Technology related controls deal with information security, system change management and data back-up.

The types of controls that exist within the business include, but are not limited to:

- Reconciliations;
- System controls;
- Authorisations and approvals; and

- Physical controls.

In implementing each of the control activities in the business, consideration is given to the segregation of duties to reduce the possibility of controls being overridden.

Information and communication

Information is important in helping the business achieve its objectives and this includes information regarding the internal control system.

Information about the business' objectives is primarily disseminated by senior management to management and employees through their reporting lines. In addition, there are various other forums, both physical and online, through which Company information is communicated.

Departmental level information is widely collected to help measure performance, record exceptions and determine any additional measures that are necessary.

Employees have the opportunity to communicate upwards to management.

Management communicate externally to clients, brokers, vendors and the general public through meetings, annual reports, articles in industry publications and various marketing initiatives.

Monitoring activities

There are various forms of ongoing and independent evaluations to monitor the internal control system. These could be conducted by internal or external resources.

Separate evaluations are performed by both Internal Audit and staff auditors. Internal Audit is tasked with carrying out evaluations on various aspects of the business; financial, operational and compliance. Findings are reported to management and to the Board through the ARC.

In addition to the work performed by Internal Audit, there are discipline specific evaluations performed by staff auditors. Examples of these include:

- Claims audits;
- Engineering audits;
- Operations audits;
- Processing audits;
- Underwriting audits; and
- Health and Safety audits.

Compliance approach

FMI is committed to managing its exposure to compliance risk in accordance with the agreed risk appetite. To properly address the risk, FMI maintains effective relationships and remains in good standing with its regulators in the UK, where the Company is licenced to write insurance and reinsurance business.[3]

The risk appetite framework is used to advise management of the risks to which the Company is exposed. Any potential or existing risks are measured against the framework, and the results and outcomes of actions are monitored to ensure they remain within acceptable limits. The risk appetite and tolerances are subject to review by the RMC to ensure that they remain relevant and achievable.

[3] The Swiss branch, under the jurisdiction of a local regulator, is currently in run-off.

FMI's appetite for compliance risk is based upon the assumption that insurance companies are heavily regulated businesses. The loss of or any significant restriction on FMI's licence would impair FMG's ability to meet the needs of its policyholders and thus represents a threat to the business. Serious or persistent non-compliance with the rules and regulations could lead to the loss of, or a substantial restriction to, its insurance permissions. Appropriate systems and controls must therefore be maintained and monitored to ensure that FMI remains in good standing with its regulators and to ensure that any instances of non-compliance are promptly and effectively identified, assessed and addressed.

B.5 Internal Audit function

FMI considers Internal Audit as an independent appraisal function tasked with examining and evaluating Company activities on behalf of management and the Board. The mission of Internal Audit is to support the management and employees of FMI in the effective discharge of their responsibilities, by providing an independent and objective assurance and advisory function.

The Internal Audit function with responsibility for FMI reports to the Chief Internal Auditor, FMIC, who is accountable to the FMI ARC. Semi-annually, the Chief Internal Auditor will submit to the ARC a written report on the activities of the Internal Audit function in the preceding auditable period and makes an oral report to the ARC. The Chief Internal Auditor may confer with the ARC, directly with the Chair of the ARC or any other member of the ARC, including the INEDs, outside the presence of Company officials on any subject relevant to Internal Audit's area of responsibility.

On an annual basis, a risk based Internal Audit plan is developed and presented to the ARC for approval.

The Internal Audit annual plan is a risk-based plan that includes three major categories of work: (1) audit procedures related to internal control over financial reporting; (2) engagements related to regulatory compliance; and (3) risk-based internally focused audits.

(1) Audit work related to internal control over financial reporting includes the evaluation of internal controls at the significant financial business processes level. A financial business process is considered significant primarily based on quantitative factors, including the financial misstatement effect.

(2) Certain regulations require or advise that Internal Audit perform periodic audits including, but not restricted to, compliance with the Solvency II requirements of Pillar 2 and Governance and Supervision. These are included in the audit plan as appropriate.

(3) Identification of the internally focussed audits is based on a risk assessment process. Internal Audit constructs an audit universe based on knowledge of the business and discussions with various levels of management. The audit universe is made up of auditable areas which are mapped to other assurance activities within the Company. Internal Audit meets with the other assurance providers to understand the nature of their work and to determine what areas require internal audit coverage. The auditable areas covered by Internal Audit are assigned a risk rating and ranked using a risk assessment formula to ensure the most effective use of Internal Audit's resources.

The risk assessment model considers the following factors when assigning a risk rating to each auditable area:

Likelihood of Control Issues	Impact of Control Issues
Results of prior audits Time since the last audit Complexity of the process Automated or manual process Management/personnel competency Degree of change in the audit area Susceptibility to fraud	Financial misstatement effect Solvency impact Service to clients Employee relations Regulatory impact

On an annual basis, this allows the ranking of auditable areas as high, medium or low risk which then helps determine whether to include them in the audit plan for that year. Additional audits and consulting assignments may also be performed outside of the annual audit plan if circumstances dictate, or if requested by management following a change in processes and/or procedures.

Before the commencement of each audit, an audit announcement memorandum will be distributed to management by the Chief Internal Auditor. This details the agreed scope and timing and sets out any other information pertinent to the audit.

A written audit report will be prepared and issued to management by the Chief Internal Auditor following the conclusion of each audit. There is an overall report owner to whom the report is addressed, and any findings noted in the audit are assigned an action owner. The action owners are responsible for remediating their respective findings by a target date agreed with Internal Audit.

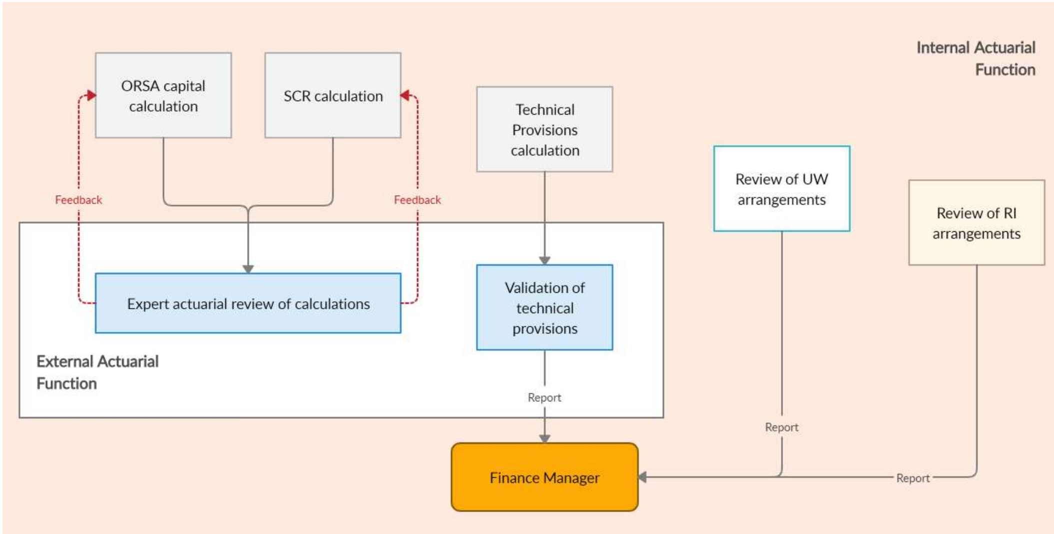
The report owner is responsible for ensuring that progress is made towards correcting any unsatisfactory audit findings and Internal Audit is responsible for determining whether action taken is adequate to resolve the findings. If the action is considered not adequate, Internal Audit will inform management of the potential risk and exposure in allowing the unsatisfactory conditions to continue.

The Internal Audit function is structured so that it maintains its independence and objectivity from the activities it reviews. The Internal Audit function is independent from the business and has direct access to the Audit and Risk Committee. With the exception of the Operations, which are subject to discipline-specific audits carried out by staff audit functions, Internal Audit perform audits on all areas of the business based on the risk assessment model described above, ensuring that higher risk areas are audited more frequently than lower risk areas. Internal audit also evaluates the audit methodologies of the staff audit functions mentioned above.

B.6 Actuarial function

The Head of the Actuarial function is the FMI Finance Manager who is supported by other members of the Finance department. Expert advice from an external actuarial provider and from experts in other areas of FMG is obtained as required to ensure the appropriateness of the solvency calculation. The FMI Actuarial function consists of individuals who have sufficient knowledge of actuarial and financial mathematics to ensure accurate calculations are prepared internally and that there is a robust review of any expert advice provided.

Below is an overview diagram of the workflow and tasks within the Actuarial function:



An Actuarial function policy is in place which clearly defines the division of tasks between the Internal Actuarial function and the External Actuarial function. The policy is reviewed at least annually by the RMC. The external actuarial expert has knowledge of capital modelling for general insurers as well as general knowledge of actuarial mathematics and the insurance industry. The External Actuarial function is outsourced to WTW in accordance with the Outsourcing policy and the Outsourcing Agreement for actuarial support. This is reviewed on an annual basis and an alternative contract would be considered if deemed necessary for any reason such as a perceived lack of independence.

The external actuarial expert reports directly to the FMI Finance Manager and works closely with the FMI Finance department as required. Additional ad-hoc support may be required during the year, outside of the predetermined responsibilities, and will be agreed with the FMI Finance Manager at that time.

The reviews of the reinsurance ("RI") and underwriting arrangements are conducted by experts within FMIC. These experts are independent of the day-to-day functions of these areas but have sufficient knowledge and skill to accurately perform the review. A written report is provided by the experts to the FMI Finance Manager on an annual basis. These reviews were performed during 2023 and confirmed that all arrangements are in accordance with Article 272 of the Solvency II Delegated Acts.

WTW assisted FMI as consultants during the implementation of Solvency II and have since continued to provide appropriate technical support and review in line with their scope of engagement.

The latest formal review by WTW took place during the second half of 2022 involving experienced professionals with sufficient expert judgement to review the technical provision calculation. The review concluded that, overall, FMI's technical provision processes and results meet the validation requirements as set out in Article 264 of the Solvency II Delegated Acts. As no high priority recommendations were made and there has been no change in the technical provision process, FMI has committed to completing a formal review of the technical provisions biennially.

In addition, EY auditors have performed an audit of the technical provisions, the Solvency II balance sheet, the Standard Formula and the in-scope annual reporting templates to confirm FMI's compliance in these areas. For details of the scope and limitations of their work please refer to the Auditor's Report on page 8.

B.7 Outsourcing

From time to time, FMI may outsource business activities, to other parties, in accordance with its comprehensive Outsourcing policy, whose purpose is to provide guidance on how to identify and appropriately manage the risks associated with outsourcing. The policy is available to any member of staff who may be involved in setting up an outsourcing arrangement and provides guidelines on the levels of agreement that are acceptable to FMI, as well as to comply with applicable regulatory requirements.

The policy has been developed to ensure that potential service providers have the ability, capacity and authority to perform the function. The policy broadly covers:

- The process to be followed in identifying potential suppliers of outsourced services.
- The terms to be included in the outsourcing contract.
- Supervision of the outsourced services.
- Management and monitoring of the contract.
- Contingency arrangements and the process to be followed on exiting contracts.

The table below shows the critical functions or activities outsourced by FMI and the jurisdiction in which the service providers are located:

Outsourced functions/activities	Description	Jurisdiction of service provider
Information& Technology (IT)	Elements of the provision of IT services and support are outsourced to FMIC	United States of America
Investment management	All investment management activities are outsourced to the FMIC Investments function.	United States of America
Reinsurance structuring	The sourcing, placement and management of the reinsurance programme is outsourced to the FMIC Reinsurance function.	United States of America
Actuarial function	FMI's actuarial function relies on FMIC for the provision of data analytics support.	United States of America

B.8 Any other information

FMI has a robust governance system. There have been no material changes within the system of governance over the reporting period. All the relevant points have been detailed in this report and there are no further disclosures required at this time.

C. Risk profile

C.1 Non-life underwriting risk

Central to the business model is that underwriting risk within FMI is accepted and managed within agreed risk parameters. As a result, this area is very closely monitored and regulated through:

- Clear and specific underwriting guidelines;
- Well defined systems of training and monitoring;
- Regular process audits;
- General business controls as detailed in the Internal Control section of this document; and
- Regular risk appetite monitoring.

FMI has a significant reinsurance programme with a number of in-house treaties available, which provide additional cover for those risks that expose FMI to potentially significant claims outside of the risk appetite. In addition, FMI has the ability to purchase facultative reinsurance, as necessary.

On a local level, the pricing structure is set to take into consideration the concentration of clients, and reinsurance is used to limit FMI's exposure as needed. The risk exposures for any new clients are considered alongside existing exposures and any concentrations of risk are taken into account.

The underwriting risk within the SF calculation generates a capital charge of £21m, which is consistent with prior year's charge of £22m. The following table shows the main elements of the non-life underwriting capital charge that forms part of the SCR:

	2023 £000s	2022 £000s	Variance £000s
Lapse risk	146	91	55
Catastrophe risk	14,693	11,629	3,064
Premium & Reserve risk	11,825	16,132	(4,307)
Diversification	(5,625)	(5,732)	107
Total underwriting risk	21,039	22,120	(1,081)

There are strong controls around the calculation of underwriting risk within the SF including the review of inputs and parameters by management, sensitivity testing, and management review of the results.

C.2 Market risk

Market risk is the most sensitive area of the FMI SF model due to the high level of USD equities held that could potentially lead to significant losses.

Market risk is rated high on the risk register and is monitored closely by the RMC. Several sensitivity tests have been run on this risk area and any significant investment decisions are run through the SF and the ORSA model to assess the potential impact. The results of this sensitivity testing can then be compared to the risk appetite of FMI so that the Board can evaluate the effect of the change.

As FMI holds and transacts in non-GBP currencies, principally USD through its investment holdings, a certain level of currency risk exists. Strict guidelines are in place regarding levels of currency, asset/liability matching and investment practices.

The type of assets held by FMI are a key driver of the capital charge and an area where management decisions can have a significant effect. In line with the Investment policy, there is no current plan to change the investment strategy. The following table shows the SF capital charge in respect of market risk:

	2023 £000s	2022 £000s	Variance £000s
Interest rate risk	13,956	6,284	7,672
Equity risk	218,493	162,433	56,060
Property risk	1,515	-	1,515
Spread risk	16,523	17,150	(627)
Currency risk	192,544	174,550	17,994
Concentration risk	40,245	31,275	8,970
Diversification	(141,291)	(111,399)	(29,892)
Total market risk	**341,985**	**280,293**	**61,692**

Market risk is primarily driven by equity and currency risk.

Equity risk has increased significantly in 2023 in comparison to 2022 and comprises the FMI equity and collective investment holdings and the FMI pension scheme equities. The main drivers for the increase in equity risk are the purchases of new investments made during the year together with an increase in the market value of assets held during 2023. The symmetric adjustment factor, applied to equity risk, increased from a negative 2.9% to a negative 0.06% generating £16m of the risk charge.

The change in the symmetric adjustment factor (issued by the PRA) and its impact on equities is calculated monthly throughout the year and reported to management. A significant change in this factor can have a material impact on the solvency ratio. The potential impact of changes in this factor from the current value is evaluated through stress testing of the calculation.

The property risk charge is in respect of right of use assets associated with operating leases for property and equipment.

The currency risk charge is calculated for the exposure the Company has to currencies other than the GBP. For FMI, the charge is driven by the significant level of investments and cash held in USD. An increase in USD asset values was partly offset by the strengthening of GBP, representing £22m of the change in the total currency risk. This was offset by a decrease in EUR assets which offsets the USD movement by £4m.

Investments are also the key driver of the concentration risk capital charge, with the higher value of equity holdings at the year-end leading to an increase in the concentration risk charge.

Interest rate risk has increased compared to the prior year due to an increase in net asset values included within the calculation of this risk (investments, technical provisions and pension assets/cashflow), primarily due to the increase in investment values.

The market risk capital charge is driven by the type of assets held by FMI. Excess capital held by FMI is invested in USD equity securities to support FMI's total return investor strategy. There is sufficient capital to cover this charge and the FMI Board are comfortable with the approach and the impact on the overall capital charge.

The increase in the diversification benefit is driven by the increase in the other components of the market risk.

C.3 Counterparty risk

The FMI policy is to only use reinsurers that meet a specified surplus threshold amount and have a credit rating of A- or higher, unless an exception has been granted by the FMG Staff Underwriting Department. Historically, there have been no instances of significant reinsurer default. FMI's largest single reinsurer is FMIC which is rated AA (Very Strong) by Fitch Ratings, A+ (Superior) by AM Best, and A+ (Strong) by Standard and Poor's; therefore, FMIC is considered unlikely to fail.

Highly rated reinsurers will be resistant to a certain volume of catastrophes. Several large events would stretch their overall capacity which could lead to them defaulting and as a result increase the capital charge within the SF.

The total counterparty default charge within the SF is £36m (2022: £34m).

The only non-rated reinsurance entities used by FMI are captives at the request of the client. As these entities do not have ratings, there are contracts in place which specify that any monies must be received from the captive before FMI pays the client. As a result, there is no counterparty risk associated with these balances.

C.4 Liquidity risk

This is not considered a key risk area for FMI as the investment policy requires that cash in the relevant currency is held against any large outstanding claims. To assist in managing liquidity on a day-to-day basis, a 12 month rolling cash flow forecast for each individual currency (where FMI holds a bank account) is used to predict claims payments along with income and reinsurance receipts due, to ensure appropriate levels of operational cash are maintained.

Additionally, to support liquidity management, there is also an arrangement in place with FMIC which provides that, if required, the reinsurance due from FMIC will be paid in advance, to fund the payment to the client. This facility is considered on a claim-by-claim basis. Historically, a similar arrangement has proven to be very effective for other group entities following significant catastrophe events.

Expected profits included in future premium are £7.1m at 31 December 2023 (2022: £6.4m). The expected profits included in future premium are based on the UCR[4] applied to bound but not incepted premium and insurance receivables. The increase this year is mainly due to the slight decrease in the UCR compared to last year, increasing the projected profit. The value is included on S.23.01.01 within the Appendices.

C.5 Operational risk

Operational risk represents the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. The key risk areas are monitored through the risk register and the risk appetite framework. They are reviewed at RMC meetings to ensure that

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[4] UCR – Ultimate combined ratio is the sum of expected net losses incurred and net expenses, divided by expected net earned premium.

management are aware of the risks, that they are being adequately controlled and that mitigation is in place, if deemed necessary.

The SF charge for operational risk is a calculation based on the technical provisions and earned premium. The total operational risk charge from the SF model for 2023 is £5.8m (2022: £5.4m).

The charge is calculated on the higher of 3% of gross earned premium and 3% of gross technical provisions. For 2023 the calculation remains based on premium, and the charge has increased in line with the predicted increase in premium for 2024 compared to 2023.

C.6 Other material risks

In addition to the above risk categories the Company has also considered group risk and the risk of climate change.

Group risk is not considered significant for FMI, as FMIC as part of FMG, is very highly rated and unlikely to fail within a 99.5% confidence level. As at 31 December 2023, FMG had $22.5bn in capital.

If FMIC were to fail, this would be the most extreme scenario for FMI as it would mean the potential loss of many clients and likely cause FMI to fail. This is considered as part of reverse stress testing as it is such an extreme scenario and outside the parameters of the model calculations.

The main risk for FMI is that FMIC does not meet their financial obligations as they are FMI's largest reinsurer. As noted above, FMG is very highly rated indicating they are unlikely to default and held $1.8bn of available cash on their balance sheet at 31 December 2023. In addition, defaulting on FMI would mean losing one of their international bases of operation which would alter FMG's business model. The risk of FMIC defaulting on its reinsurance balances with FMI is included within the counterparty risk section of the model in the same way as for any external reinsurer.

All services provided by FMIC are covered by a group risk on the risk register which is reviewed and monitored by the RMC. In addition, the reinsurance exposure of FMI to FMIC is monitored monthly as part of management reporting and is included in the risk appetite monitoring control sheet which is distributed to the RMC. There is an agreement in place to settle reinsurance balances quarterly which also limits FMI's exposure.

FMIC provides support services to FMI, including investment management and system support, however the Company could continue to function in the short-term using local resources until new contracts were agreed. As the likelihood of FMIC not meeting their financial obligations is low and there are strong controls and mitigation in place, the overall rating of this risk is low.

The capital model takes into consideration the fact that the failure of FMIC will mean the cessation of the stop loss cover. If a simulation has calculated that FMIC will go into default, then the stop loss and amount ceded on expenses is also considered unrecoverable. A large capital charge for this scenario is generated within the extreme tail of the model, outside of the 99.5% confidence level.

The SF model does not have the facility to fully account for the stop loss cover. The catastrophe risk element of the calculation is capped at the limit of the stop loss treaty which results in a high level of reinsurance being generated. This reinsurance is initially assigned to any available treaties with amounts generating risk over the stop loss attachment point allocated to FMIC. All reinsurance amounts generated through this calculation are included within the counterparty default charge. The remainder of the SF calculation does not include any further adjustments for the stop loss. The Board understands that this generates a higher SCR, however they are comfortable that there is sufficient capital in place and that the SF remains appropriate for the Company.

Based on FM Global's comprehensive sustainability materiality assessment, climate change has been identified as a high priority issue to both its business and its stakeholders. FM Global has an Environmental, Social and Governance team, reporting to the Chief Sustainability Officer and through an Environmental Social Governance ("ESG") steering committee, ESG is integrated within the business.

To better understand climate-related risk, FM Global has a team of researchers continually evaluating the potential for natural and technological catastrophes, developing innovative methods and tools to predict and prevent property damage and providing technically sound and cost-effective loss prevention engineering solutions to clients. As climate change evolves, the identification and development of solutions coupled with risk-informed underwriting continue to help protect clients' assets. Risks associated with climate change are incorporated into the location-based approach to underwriting, research and risk assessment carried out by engineers. These risks are priced into the business and as a market leader in property loss prevention, FM Global continually evaluates risk associated with climate change.

C.7 Any other information

A number of sensitivity and scenario tests are undertaken during the modelling process to assist in both understanding the effect of movements within a specific risk area and illustrating the interaction of the risk areas within the overall capital charge.

The stressed model parameters are recommended by the Solvency II modelling team and agreed with the RMC based on areas considered to be key risks for FMI. The testing affecting individual risk areas has been discussed previously in this report. The tests performed on the ORSA model differ from those within the SF model.

The sensitivity testing completed on the SF model included the following:

- Converting USD equities to USD bonds;
- Reducing all counterparty ratings by one credit quality level;
- Reducing FMIC's rating by one credit quality level; and
- Adjusting the market risk parameters to assess the risk of volatile markets.

The results of these tests reflect the significance of each area on the capital charge and offer management focused information to review business decisions and strategy.

The sensitivities considered are as follows:

	2023 Final Submission £000s	2023 Convert USD Equities to USD Bonds £000s	2023 Reduce All Ratings by 1 Credit Level £000s	2023 Reduce Only FMIC by 1 Credit Level £000s	2023 Increase symmetric adjustment £000s
Non-Life risk	21,039	21,039	21,039	21,039	21,039
Market risk	341,985	240,431	341,985	341,985	389,384
Counterparty Risk	35,945	35,945	58,307	49,943	35,945
Operational risk	5,750	5,750	5,750	5,750	5,750
Diversification	(39,540)	(38,285)	(53,105)	(48,167)	(39,913)
Total SCR	365,179	264,880	373,976	370,550	412,205
Solvency II Available Own Funds	844,871	844,871	844,871	844,871	844,871
Solvency ratio	231.4%	319.0%	225.9%	228.0%	205.0%

The sensitivity tests above demonstrate equities are a key driver of the solvency capital charge. The scenario providing the greatest capital coverage for FMI would be to convert equities to bonds which, even if retained in USD, would result in a decrease of the SCR to £264.9m and an increase in the solvency ratio to 319.0%, as shown above.

The symmetric adjustment (SA) factor is a market risk parameter prescribed by the PRA designed to smooth the volatility of equity markets over several years. The Solvency II regulations state that the SA can vary between -10% and +10%, which can have a significant impact on the market risk capital charge. The scenario with the most significant downside impact on the SCR and the solvency ratio is the increase in the SA factor from the year-end percentage to the maximum of 10%. At the end of 2023, the SA was negative 0.06% (2022: negative 2.9%) and increasing the SA to the maximum of positive 10% increases the capital charge by £47m and reduces coverage by 26.4%.

Another external scenario with a significant downside impact on the capital coverage would be a decrease in all counterparty ratings in the short term. Due to the levels of reinsurance held by FMI at the end of 2023 the SCR increased by £9m with coverage falling by 5.5%.

The largest individual reinsurance receivable is due from FMIC. The parent company reinsures 75% of all claims over £650k and up to the Excess of Loss treaty ("EOL") attachment point ($450m per catastrophe event, $300m per risk loss). 100% of the loss over the attachment point will either be covered by the EOL treaty or by FMIC (per the internal reinsurance agreement). As noted previously, there is also a stop loss treaty in place with FMIC which caps FMI's combined ratio to 125% in any calendar year. If FMIC's rating drops by one credit level, the SCR increases by £5m.

D. Valuation for solvency purposes

D.1 Assets

The asset valuations are based on the methods prescribed by the Delegated Acts. The following table reflects the values and differences to those recorded in the UK GAAP FS as at 31 December 2023.

2023	UK GAAP £000s	Solvency II £000s	Difference £000s
Deferred acquisition costs	1,125	-	1,125
Pension benefit surplus	73,909	73,909	-
Property, plant & equipment	8,888	15,675	(6,787)
Investments	732,234	733,800	(1,566)
Participation	50	4,791	(4,741)
Reinsurance recoverables	137,223	117,929	19,294
Insurance receivables	51,034	-	51,034
Reinsurance receivables	40,729	178	40,551
Receivables (trade, not insurance)	14,244	14,244	-
Cash and cash equivalents	70,805	70,805	-
All other assets	2,192	626	1,566
Total assets	1,132,433	1,031,957	100,476

As at 31 December 2022

2022	UK GAAP £000s	Solvency II £000s	Difference £000s
Deferred acquisition costs	904	-	904
Pension benefit surplus	67,047	67,047	-
Property, plant & equipment	10,762	19,206	(8,444)
Investments	616,660	617,935	(1,275)
Reinsurance recoverables	128,780	79,625	49,155
Insurance receivables	51,399	-	51,399
Reinsurance receivables	10,189	81	10,108
Receivables (trade, not insurance)	35,832	35,832	-
Cash and cash equivalents	109,958	109,958	-
All other assets	1,932	608	1,324
Total assets	1,033,463	930,292	103,171

The bases of valuation for the material classes of assets are provided below:

Deferred acquisition costs

Deferred acquisition costs are not recognised under the Delegated Acts and therefore the Solvency II balance sheet value is nil.

Pension benefit surplus

The defined benefit pension surplus is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and inflation. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. The prescribed accounting valuation method is consistent with the permitted Solvency II valuation method. Additional details on the valuation method are provided in Note 1.5 of the UK GAAP FS.

Property, plant & equipment

Property, plant and equipment is held at cost less depreciation under both UK GAAP and Solvency II, which approximates the fair value based on a current replacement costs basis.

In accordance with the principles of IFRS 16: Leases, all material lease commitments have been capitalised and included in this category on the balance sheet.

Financial investments

Financial investments comprise exchange traded equity instruments of £431m (2022: £325m), high-grade debt securities of £303m (2022: £291m) and investment in subsidiary of £5m (2022: £nil).

The investments are measured on a market value basis, consistent with Article 10(2) of the Delegated Acts.

Equity instruments are financial assets that are measured by reference to published quotes in an active market, with quoted prices readily and regularly available from an exchange, dealer, or broker with those prices representing actual and regularly occurring market transactions on an arm’s length basis.

Debt securities are financial assets measured using valuation techniques based on assumptions that are supported by prices from observable current market transactions. Debt securities are priced by an independent vendor using evaluated market pricing models.

Under Solvency II, accrued interest on bonds is included as part of the investment valuation. By comparison under UK GAAP, it is recorded separately as part of other assets.

Participations

For purposes of the Solvency II balance sheet, the Company’s subsidiary, FME, is valued using an adjusted equity method, which is based on the excess of the (fair value) of assets less liabilities. FME is a wholly owned subsidiary of FMI.

For UK GAAP purposes the participation is reflected at historic cost.

Reinsurance recoverables

Details related to the valuation of technical provisions are provided in Section D.2.

Insurance and reinsurance receivables

Debtors receivable are recorded at transaction price. Due to the short-term nature of the balances, they are held at an undiscounted amount. Under Solvency II, the future cash inflows from debtors not past due for payment are included in technical provisions.

Receivables (trade, not insurance)

Receivables in the balance sheet are comprised of other debtors and are recorded at transaction price.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet are comprised of cash at bank and in hand and any short-term deposits with an original maturity date of three months or less.

All other assets

The valuation of these assets on a fair value basis does not materially differ from the values recorded in the UK GAAP FS. Under Solvency II accrued interest on bonds is included as part of the financial investments.

D.2 Technical provisions

The technical provisions represent a best estimate of future technical cashflows, discounted to present value.

Under Solvency II, the value of technical provisions is expected to correspond to the amount an insurance or reinsurance undertaking would have to pay if it transferred its contractual rights and obligations immediately to another undertaking, and should comprise a best estimate of future technical cashflows, discounted to present value, and a risk margin.

For non-life undertakings, the best estimate is the sum of the following:

- Claims provision - a provision relating to events that have already occurred; and
- Premium provision - a provision relating to events on unexpired risks at the balance sheet date within the contract boundaries.

The best estimate technical provisions on the Solvency II basis are supplemented by the risk margin, representing the cost of capital which a third party would incur in taking over and running the existing obligations to expiry. The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the current insurance obligations over their lifetime.

A Technical Provisions policy is in place which outlines the requirements under Solvency II and ensures each set of calculations are performed consistently. In addition, detailed procedures are available to ensure the calculation can be re-performed, if required.

Under Solvency II the technical provisions are based on the calculation specified in Section 3 of Chapter III of Title 1 of the Delegated Acts. This requires certain additional elements which are not included under the UK GAAP valuations used in the FMI FS. Within the premium provision, the value of premium arising from those contracts which have been bound but not incepted at the year-end date, is added. Events not in data ("ENIDs") have been included based on FMI specific modelled catastrophes, which are generated by FMIC's data modelling team. The future cash in-flows and out-flows from insurance receivables and payables are included in the premium and claims provision values as appropriate before discounting. Values relating to premium and overheads are included in the gross or reinsurance premium provision and those related to claims are included in the claims provision workings. The portion of premium due on the EOL treaty in which FMI participates is included within the technical provisions offsetting future reinsurance recoverables.

For both the premium and claims provisions, an adjustment for reinsurer default is included to account for the possibility that all reinsurance may not be recovered. This has been calculated based on counterparty risk factors within the SF. The claims provision will also include the cash in-flows from the reinsurance receivables as per the Delegated Acts.

The discounting is calculated by currency based on the risk-free rates published by the PRA.

Future claims experience is dependent on the external environment, which is subject to uncertainties relating to legislative, social and economic change. The impact of uncertain external factors is considered throughout the reserving exercise and through sensitivity testing, including in the predicted profit ratios. External factors, future client behaviour and management actions are considered when preparing the strategic plan. The external environment is monitored and where relevant, predicted changes to the market and potential impacts are included in the provision or considered through sensitivity testing. The results of testing performed this year can be found in section C.7.

The payment of future claims is calculated with reference to historical payment patterns that are used in the reserve best estimate.

The table below reflects the consolidated technical provisions by type, as shown in template S.17.01, and compares these to the UK GAAP values at 31 December 2023.

2023	UK GAAP £000s	Solvency II £000s	Difference £000s
Premium Provision:			
Gross	101,898	29,754	72,144
Reinsurance	(76,115)	(24,833)	(51,282)
Net	25,783	4,921	20,862
Claims Provision:			
Gross	81,087	75,716	5,371
Reinsurance	(61,108)	(93,096)	31,988
Net	19,979	(17,380)	37,359
Total best estimate – gross	182,985	105,470	77,515
Total best estimate – net	45,762	(12,459)	(58,221)
Risk margin	-	4,876	(4,875)

The UK GAAP total technical provisions within the table above are included within the Company balance sheet of the UK GAAP FS.

Comparison of technical provisions as at 31 December 2022.

2022	UK GAAP £000s	Solvency II £000s	Difference £000s
Premium Provision:			
Gross	87,393	12,467	74,926
Reinsurance	(65,375)	(27,698)	(37,677)
Net	22,018	(15,231)	37,249
Claims Provision:			
Gross	91,649	83,279	8,370
Reinsurance	(63,405)	(51,927)	(11,478)
Net	28,244	31,352	(3,108)
Total best estimate – gross	179,042	95,746	83,296
Total best estimate – net	50,262	16,121	34,141
Risk margin	-	7,013	(7,013)

The difference between the UK GAAP and Solvency II balances is primarily due to Solvency II reporting discounted cash flows on the future obligations for each reporting period. In addition, there are several provisions included within the Solvency II balances, such as the risk margin that are required per the Delegated Acts.

One of the most significant of these is the inclusion of debtor and creditor balances which are considered receivable and payable as cash in-flows and out-flows respectively. In 2023 there was a debtor arising from a reinsurance balance[5] of £41m which under Solvency II regulations is included within the claims provision as a future cash in-flow. In 2022 the equivalent balance was a creditor of £7m. This has resulted in the net claims provision being a negative balance.

The premium provision has increased in 2023 due to the increase UK GAAP premium values, combined with the change in SII cash in-flows and outflows which increased the net provision by £20m, generating a small positive provision for the year.

The risk margin has reduced from £7m in 2022 to £4.9m in 2023, primarily as a result of the change in the cost of capital used in the calculation of the risk margin from 6% to 4%, in line with amended regulations issued in December 2023.

Template S.17.01.02 within Appendix 3 gives a further breakdown of the technical provisions, including a breakdown of the gross and net technical provisions and the risk margin by line of business.

The tables below show an extract of that template:

Premium Provision £000s	MAT	Fire & other (Property)	Non-proportional MAT	Non-proportional Property	Total Non-life
Gross – Total	**816**	**23,204**	**636**	**5,098**	**29,754**
Gross – Direct business	816	23,204	-	-	24,020
Gross – accepted RI	-	-	636	5,098	5,734
Reinsurance	(417)	(23,544)	(121)	(751)	(24,833)
Net Best Estimate	**399**	**(340)**	**515**	**4,347**	**4,921**

Claims Provision £000s	MAT	Fire & other (Property)	Non-proportional MAT	Non-proportional Property	Total Non-life
Gross – Total	**6,639**	**57,511**	**588**	**10,978**	**75,716**
Gross – Direct business	6,639	57,511	-	-	64,150
Gross – accepted RI	-	-	588	10,978	11,566
Reinsurance	(4,057)	(78,341)	-	(10,698)	(93,096)
Net Best Estimate	**2,582**	**(20,830)**	**588**	**280**	**(17,380)**

The majority of the net technical provisions are attributable to the 'Fire and other damage to property' insurance class.

No transitional provisions or long-term guarantee measures are used by FMI. FMI does not take advantage of the matching adjustment or volatility adjustment as these are not appropriate for the business. There have been no material changes to the basis of measurement.

D.3 Other liabilities

Other than technical provisions, liabilities are valued for Solvency II purposes at approximate market value due to their short-term nature. This is comparable to the UK GAAP FS valuation.

2023	UK GAAP £000s	Solvency II £000s	Difference £000s
Technical provisions	182,985	110,346	72,639
Pension benefit obligations	10,415	10,415	-
Deferred tax liabilities	17,191	16,128	1,063
Insurance payables	2,421	2,421	-
Reinsurance payables	30,569	-	30,569
Payables (trade, not insurance)	27,922	36,300	(8,378)
All other liabilities	17,582	11,476	6,106
Total liabilities	289,085	187,086	101,999

2022	UK GAAP £000s	Solvency II £000s	Difference £000s
Technical provisions	179,042	102,759	76,283
Pension benefit obligations	10,008	10,008	-
Deferred tax liabilities	16,135	15,167	968
Insurance payables	2,663	2,663	-
Reinsurance payables	28,288	-	28,288
Payables (trade, not insurance)	18,264	28,421	(10,157)
All other liabilities	15,348	10,470	4,878
Total liabilities	269,748	169,488	100,260

Pension benefit obligations

The legacy German defined benefit pension liability is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and inflation. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. The prescribed accounting valuation method is consistent with the permitted Solvency II valuation method. Additional details on the valuation method are provided in Note 1.5 of the UK GAAP FS.

Deferred tax liability

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Under Solvency II, deferred tax is calculated based on the temporary differences between the Solvency II values and tax values.

Insurance payables and reinsurance payables

Insurance and reinsurance creditors are recorded at transaction price. Due to the short-term nature of the balances, they are held at an undiscounted amount rather than subsequently re-measured at amortised cost using the effective interest rate method. Under Solvency II, the future cash out-flow from creditors not past due for payment is included in the technical provisions.

Payables (trade, not insurance)

Payables are recorded at transaction price. Due to the short-term nature of the majority of the balances they are held at an undiscounted amount rather than subsequently re-measured at amortised cost using the effective interest rate method.

Payables(trade not insurance) also includes the right of use liabilities associated with operating leases.

All other liabilities

Additional information on other liabilities is included in Note 21 of the UK GAAP FS. The uncertainty of liability valuations and judgements are as set out in Note 1 of the UK GAAP FS. All other liabilities are valued at either market rate or transaction price, whichever is relevant to the type of liability.

The liabilities included in this category are short term in nature and primarily relate to deferred reinsurance commissions and salary and incentive accruals. The difference to UK GAAP is due to deferred reinsurance commissions not being recognised under the Delegated Acts. Therefore, the Solvency II balance sheet value of deferred reinsurance commissions is £nil.

D.4 Alternative methods for valuation

No alternative valuation methods have been used.

D.5 Any other information

No further disclosures are required.

E. Capital management

E.1 Own funds

All shares are owned by FMIC, and no dividends or distributions are due to be paid in the period of the 2024 to 2026 strategic plan. If any changes are proposed to the composition of own funds, the Board will ensure they are in accordance with the PRA's rules on own funds.

FMI has no plans to change the nature of the own funds or issue new own fund items.

FMI is committed to managing its exposure to loss of capital in accordance with the agreed risk appetite which is detailed in the risk appetite framework. The Capital Management policy in place is intended to ensure the Company has sufficient own funds to cover the regulatory capital required over the period of the strategic plan. For FMI, this is a period of three years. In the future planning period, the only factor anticipated to affect the own funds value would be profits or losses made in future years.

FMI's capital instruments consist entirely of ordinary shares and the associated share premium. FMI does not have preference shares or subordinated liabilities which restrict the availability of capital.

The tables below are extracts from template S.23.01 and represent the detail of the own funds as well as the SCR and solvency ratio:

2023	Total £000s	Tier 1 £000s	Tier 2 £000s	Tier 3 £000s
Ordinary share capital		355,000	-	-
Share premium account		978	-	-
Reconciliation reserve		488,893	-	-
Total available own funds	844,871	844,871	-	-
SCR	365,179			
MCR	91,295			
Ratio of own funds to SCR	231.4%			
Ratio of own funds to MCR	925.4%			

2022	Total £000s	Tier 1 £000s	Tier 2 £000s	Tier 3 £000s
Ordinary share capital		355,000	-	-
Share premium account		978	-	-
Reconciliation reserve		404,826	-	-
Total available own funds	760,804	760,804	-	-
SCR	303,458			
MCR	75,864			
Ratio of own funds to SCR	250.7%			
Ratio of own funds to MCR	1002.8%			

As at 31 December 2023 the ordinary share capital was £355m and share premium was £1m. The reconciliation reserve represents the excess of assets over liabilities that is not accounted for by issued instruments, including adjustments discussed below to comply with the Solvency II Directive.

The increase in eligible own funds of £84m is mainly driven by unrealised gains on the investment portfolio along with investment income in the year.

There is currently no requirement to raise additional capital and it is not likely this will be required in the foreseeable future.

As at 31 December 2023 the total UK GAAP available funds were £843m (2022: £764m) and the Solvency II available funds were £845m (2022: £761m). The primary differences between UK GAAP reserves and Solvency II own funds are in the valuation of the technical provisions and the elimination of deferred acquisition costs.

As at 31 December 2023 FMI's own funds are classified as Tier 1 under the Delegated Acts and are therefore fully available for matching against the regulatory capital requirement. FMI has no Tier 2 or Tier 3 own funds.

E.2 Capital requirements

The full SCR and MCR are calculated annually or when there is a significant change in risk profile. The SF is the prescribed method of calculating the SCR and MCR for a firm which does not have an approved internal model or approval to use undertaking specific parameters. The SF calculation is conducted by the Solvency II modelling team using the Igloo software platform which contains the latest technical specifications in accordance with the requirements of the Delegated Acts.

The detailed data required by the technical specifications is generated from FMI's internal systems and internally generated documents. Where relevant, the data used for the ORSA calculation is utilised to ensure parity between the models.

As mentioned previously, the method of calculation for the SF is prescribed by the Delegated Acts and there is no ability to adjust the core calculation, except for simplification options in the calculation of the risk margin.

Due to this prescription, FMI is unable to fully incorporate into the SF the total benefit of the stop loss cover provided by FMIC. It is applied only within the catastrophe risk calculations, as mitigating reinsurance. The capital charge therefore understates the benefit the stop loss treaty would provide to FMI in a volatile calendar year.

The following table is a breakdown of the SF SCR per template S.25.01, compared to the 2022 breakdown:

	2023 £000s	2022 £000s	Variance £000s
Risk Modules:			
Non-Life	21,039	22,120	(1,081)
Market	341,985	280,293	61,692
Counterparty	35,945	33,998	1,947
Operational	5,750	5,420	330
Diversification benefit	(39,540)	(38,373)	(1,167)
Total SCR	365,179	303,458	61,721
	SCR 2023	SCR 2023	Variance
Capital Requirements	365,179	303,458	61,721
Eligible Own Funds	844,871	760,804	84,067
Excess Eligible Funds Over Required	479,692	457,346	22,346
Solvency Ratio	231.4%	250.7%	(19.3%)

Using the SF approach, the SCR is £365.2m (2022: £303.5m). The current capital levels give a coverage of 231.4% (2022: 250.7%).

The MCR is calculated as prescribed in the Delegated Acts, using inputs from net technical provisions and net written premium (on a Solvency II basis), subject to minimum and maximum values by reference to the SCR. In the current and prior years, the minimum value has applied, setting the MCR equal to 25% of the SCR. The MCR is calculated as £91.3m (2022: £75.9m), when compared to eligible capital FMI has a coverage of 925.4% (2022: 1002.8%).

The final amount of the SCR is subject to supervisory assessment.

E.3 Duration-based equity risk sub-module

A duration-based equity risk sub-module is not used in the calculation of the SCR. The SCR is calculated including a symmetric adjustment to the equity capital charge applied to cover the risk arising from the changes in the level of equity prices, per the PRA rule book.

E.4 Differences between SF and any internal model used

FMI uses the SF to calculate the SCR and therefore no differences exist.

E.5 SCR and MCR non-compliance

There have been no instances of non-compliance throughout the year.

E.6 Any other information

The SCR is calculated at a gross level. The regulations allow for the calculation of a net value which includes the ‘loss absorbing capacity of deferred tax.’ This methodology is not utilised by FMI as the level of complexity is disproportionate to the limited benefit that could be derived. There is no unrecognised deferred tax asset at year end 2023.

There are no further disclosures to be made at this time.

Appendices

Glossary

ARC	Audit and Risk Committee, FMI Board Committee
Board	FMI Board of Directors
COSO	Committee of Sponsoring Organisations of the Treadway Commission
Delegated Acts	Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as retained in UK law
ENID	Events Not in Data
EOL	Excess of Loss treaty
ESG	Environmental Social Governance
EY	Ernst & Young LLP, independent auditors
FCA	Financial Conduct Authority, a UK insurance regulator
FMG	FM Global group, consisting of FMIC and its subsidiaries and affiliates, including FMI
FMI	FM Insurance Company Limited (UK entity)
FMIC	Factory Mutual Insurance Company (US entity), the parent company
INED	Independent Non-Executive Director
KRA	Key Result Area
MCR	Minimum Capital Requirement, representing the threshold below which a national regulatory agency would intervene
NED	Non-Executive Directors (employed by FMIC)
ORSA	Own Risk and Solvency Assessment, Solvency II method of assessing the Company's risk and capital requirement
PRA	Prudential Regulation Authority, a UK insurance regulator
QRTs	Quantitative Reporting Templates, annual reports submitted to the regulator
SCR	Solvency Capital Requirement, regulatory capital amount required to be held by regulated entities
SF	Standard Formula, PRA prescribed formula for calculating the SCR
Stop Loss	Internal reinsurance arrangement in place with FMIC which caps FMI's combined ratio to 125% in any calendar year
Staff Underwriting	Senior underwriters based in the corporate office

UCR	Ultimate combined ratio – calculated as sum of expected net incurred claims and net expenses, divided by expected net earned premiums.
UK GAAP	The accounting framework applicable to FMI for its statutory financial statements
UK GAAP FS	The financial statements of FMI
WTW	Willis Towers Watson

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Reporting templates

- S.02.01.02 – Balance sheet
- S.05.01.02 – Premium, claims and expenses by line of business
- S.17.01.02 – Non-life technical provisions
- S.19.01.21 – Non-life insurance claims
- S.23.01.01 – Own funds
- S.25.01.21 – Solvency Capital Requirement – for undertakings on Standard Formula
- S.28.01.01 – Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

FM Insurance

Solvency and Financial Condition Report

Disclosures

31 December

2023

(Monetary amounts in GBP thousands)

General information

Undertaking name	FM Insurance Company Limited
Undertaking identification code	213800ZBBFPVX66EWL79
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet

S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

S.17.01.02 - Non-Life Technical Provisions

S.19.01.21 - Non-Life insurance claims

S.23.01.01 - Own Funds

S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	73,909
R0060	Property, plant & equipment held for own use	15,675
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	738,591
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	4,791
R0100	*Equities*	187,573
R0110	*Equities - listed*	187,573
R0120	*Equities - unlisted*	
R0130	*Bonds*	302,854
R0140	*Government Bonds*	132,428
R0150	*Corporate Bonds*	61,670
R0160	*Structured notes*	0
R0170	*Collateralised securities*	108,756
R0180	*Collective Investments Undertakings*	243,373
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	117,929
R0280	*Non-life and health similar to non-life*	117,929
R0290	*Non-life excluding health*	117,929
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	178
R0380	Receivables (trade, not insurance)	14,244
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	70,805
R0420	Any other assets, not elsewhere shown	626
R0500	**Total assets**	1,031,957

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	110,346
R0520	*Technical provisions - non-life (excluding health)*	110,346
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	105,470
R0550	*Risk margin*	4,876
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	10,415
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	16,128
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	2,421
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	36,300
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	11,476
R0900	**Total liabilities**	187,086
R1000	**Excess of assets over liabilities**	844,871

S.05.01.02

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						5,679	193,341										199,020
R0120	Gross - Proportional reinsurance accepted						0	0										0
R0130	Gross - Non-proportional reinsurance accepted															2,831	6,184	9,015
R0140	Reinsurers' share						3,443	147,753								1,659	4,052	156,907
R0200	Net						2,236	45,588								1,172	2,132	51,128
	Premiums earned																	
R0210	Gross - Direct Business						5,423	178,267										183,690
R0220	Gross - Proportional reinsurance accepted						0	0										0
R0230	Gross - Non-proportional reinsurance accepted															2,595	5,393	7,988
R0240	Reinsurers' share						3,163	136,618								1,452	3,568	144,801
R0300	Net						2,260	41,649								1,143	1,825	46,877
	Claims incurred																	
R0310	Gross - Direct Business						4,595	59,094										63,689
R0320	Gross - Proportional reinsurance accepted						0	0										0
R0330	Gross - Non-proportional reinsurance accepted															27	3,719	3,746
R0340	Reinsurers' share						1,568	46,581								0	3,071	51,220
R0400	Net						3,027	12,513								27	648	16,215
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net						0	0								0	0	0
R0550	**Expenses incurred**						631	15,806								208	554	17,199
R1200	**Other expenses**																	16,422
R1300	**Total expenses**																	33,621

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		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**	**Total Non-Life obligation**
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**						0	0								0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross						816	23,204								636	5,098	29,754
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						417	23,544								121	751	24,833
R0150	**Net Best Estimate of Premium Provisions**						399	-340								515	4,347	4,921
	Claims provisions																	
R0160	Gross						6,639	57,511								588	10,978	75,716
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						4,057	78,341								0	10,698	93,096
R0250	**Net Best Estimate of Claims Provisions**						2,582	-20,830								588	280	-17,380
R0260	**Total best estimate - gross**						7,455	80,715								1,224	16,076	105,470
R0270	**Total best estimate - net**						2,981	-21,170								1,103	4,627	-12,459
R0280	**Risk margin**						335	3,741								66	734	4,876
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**						7,790	84,456								1,290	16,810	110,346
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**						4,474	101,885								121	11,449	117,929
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**						3,316	-17,429								1,169	5,361	-7,583

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											-1,282	-1,282	-1,282
R0160	-9	128,452	252,150	87,718	8,955	3,446	-341	159	-2,244	-81	-534		-534	477,680
R0170	-8	106,945	155,965	68,837	5,859	28	61	369	-333	43			43	337,774
R0180	-7	88,791	134,421	63,002	3,626	-291	-1,251	-56	3,018				3,018	291,260
R0190	-6	391,930	386,697	68,452	5,957	2,443	394	569					569	856,442
R0200	-5	25,594	125,048	7,687	4,632	712	327						327	164,000
R0210	-4	78,111	86,894	32,903	106,433	2,659							2,659	307,000
R0220	-3	10,885	17,804	3,237	3,255								3,255	35,181
R0230	-2	8,568	36,790	997									997	46,355
R0240	-1	12,950	42,595										42,595	55,545
R0250	0	28,378											28,378	28,378
R0260												Total	80,024	2,598,326

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											4,598	4,389
R0160	-9	0	0	0	0	0	0	0	0	0	0		0
R0170	-8	0	0	0	0	0	0	0	0	254			246
R0180	-7	0	0	0	0	0	0	0	54				51
R0190	-6	0	0	0	0	0	0	5,101					4,935
R0200	-5	0	0	0	0	0	322						308
R0210	-4	0	0	0	0	464							443
R0220	-3	0	0	0	168								161
R0230	-2	0	0	2,185									2,084
R0240	-1	0	20,769										19,463
R0250	0	47,532											43,637
R0260												Total	75,716

S.23.01.01
Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	355,000	355,000		0	
R0030	Share premium account related to ordinary share capital	978	978		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	488,893	488,893			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	844,871	844,871	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	844,871	844,871	0	0	0
R0510	Total available own funds to meet the MCR	844,871	844,871	0	0	
R0540	Total eligible own funds to meet the SCR	844,871	844,871	0	0	0
R0550	Total eligible own funds to meet the MCR	844,871	844,871	0	0	
R0580	**SCR**	365,179				
R0600	**MCR**	91,295				
R0620	**Ratio of Eligible own funds to SCR**	231.36%				
R0640	**Ratio of Eligible own funds to MCR**	925.43%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	844,871
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	355,978
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	488,893
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	7,142
R0790	**Total Expected profits included in future premiums (EPIFP)**	7,142

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	341,985		
R0020	Counterparty default risk	35,945		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	21,039		
R0060	Diversification	-39,540		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	359,429		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	5,750
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	365,179
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	365,179
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	Not applicable

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

USP Key

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

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

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

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	7,085

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	2,981	2,590
R0080	Fire and other damage to property insurance and proportional reinsurance	0	61,464
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	1,103	1,340
R0170	Non-proportional property reinsurance	4,626	3,315

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

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

	Overall MCR calculation	C0070
R0300	Linear MCR	7,085
R0310	SCR	365,179
R0320	MCR cap	164,330
R0330	MCR floor	91,295
R0340	Combined MCR	91,295
R0350	Absolute floor of the MCR	2,359
R0400	**Minimum Capital Requirement**	91,295