



Mitsui Sumitomo Insurance Company (Europe), Limited

Solvency and Financial Condition Report

for the Year Ending 31 December 2025





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Directors' Responsibility Statement

We acknowledge our responsibility for preparing Mitsui Sumitomo Insurance Company (Europe), Limited's Solvency and Financial Condition Report in all material respects in accordance with the PRA Rules and the Solvency UK Regulations.

We are satisfied that:

- a) throughout the financial year in question, Mitsui Sumitomo Insurance Company (Europe), Limited has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations applicable to Mitsui Sumitomo Insurance Company (Europe), Limited, and
- b) it is reasonable to believe that Mitsui Sumitomo Insurance Company (Europe), Limited has continued so to comply subsequently and will continue so to comply in future.

For and on behalf of the Board of Mitsui Sumitomo Insurance Company (Europe), Limited.

Martyn Rodden
Chief Executive Officer

Andrew Slater
Chief Financial Officer

9 April 2026



Report of the external independent auditor to the Directors of Mitsui Sumitomo Insurance Company (Europe), Limited (“the Company”) pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

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

Opinion

Except as stated below, we have audited the following documents prepared by Mitsui Sumitomo Insurance Company (Europe), Limited as at 31 December 2025.

- The ‘Valuation for solvency purposes’ and ‘Capital Management’ sections of the Solvency and Financial Condition Report of Mitsui Sumitomo Insurance Company (Europe), Limited (‘the Company’) as at 31 December 2025 (**‘the Narrative Disclosures subject to audit’**); and
- Company templates IR.02.01.02, IR.17.01.02, IR.23.01.01, IR.25.04.21, IR.28.01.01, (**‘the Templates subject to audit’**).

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

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

- The ‘Business and performance’, ‘System of governance’ and ‘Risk profile’ elements of the Solvency and Financial Condition Report;
- Company templates IR.05.04.02, IR.05.02.01, IR.19.01.21; and,
- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (**‘the Statement of Directors’ Responsibilities’**).

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 the Company as at 31 December 2025 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the 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.

Emphasis of Matter – Basis of Accounting

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 PRA. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Conclusions Relating to Going Concern

In auditing 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 audit procedures to evaluate the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the company's future financial performance;
- Inspecting the company's Own Risk and Solvency Assessment Report, which gives a forward-looking assessment of own risks and solvency requirements and the future capital position based on modelled scenarios applied by the Board and contains severe but plausible Reverse Stress and Scenario Tests;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts through inquiries with the Chief Financial Officer;
- Assessing the reasonableness of management's model used in computing the forecasted cashflow;
- Assessing the historical accuracy of forecasts prepared by the directors by performing retrospective review of the historical forecasts;
- Inspecting correspondence with relevant regulatory authorities to identify any factors that may cause a material uncertainty to the going concern assumption;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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

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

Other Information

The Directors are responsible for the Other Information.

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



In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of 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 which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors are also responsible for:

- such internal control as management determines 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;
- overseeing the Company's financial reporting process; and
- assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Company and the insurance sector in which it operates, we considered that non-compliance with the following laws and regulations have a material impact on



the relevant elements of the Solvency and Financial Condition Report: permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities including the PRA and FCA;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct impact on the preparation of relevant elements of the Solvency and Financial Condition Report such as the Solvency II regulations.

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the relevant elements of the Solvency and Financial Condition Report (including the risk of override of controls) and determined that the principal risks were related the posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the valuation of the provisions for the settlement of future claims and application of earning patterns, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;
- Critically assessing accounting estimates for evidence of management bias, particularly in relation to valuation of insurance liabilities; and
- Designing audit procedures to incorporate unpredictability around nature, timing or extent of our testing.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Report on Other Legal and Regulatory Requirements – Other Information

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the 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.

Use of the Audit Report

This report, including the opinion, has been prepared for the Directors of the Company to enable them to comply with their obligations under External Audit Rule 2.1 of the Solvency II Firms Sector of the PRA Rulebook.

Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the Solvency and Financial Condition Report and for no other purpose. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors and the PRA for our audit work, for this report, or for the opinions we have formed.


[Leanne Finch \(Apr 9, 2026 19:56:48 GMT+1\)](#)

Leanne Finch

For and on behalf of Forvis Mazars LLP

Chartered Accountants

30 Old Bailey

EC4M 7AU

9 April 2026



Executive Summary

Business and Performance Summary

The Company provides insurance services to both Japanese and non-Japanese clients.

Japanese clients are located in the United Kingdom, continental Europe, and sub-Saharan Africa. The majority of the premium and insurance risks derived from Japanese clients are ceded to reinsurers in return for reinsurance commission.

Non-Japanese clients are served through a combination of delegated underwriting authorities and individual underwriting and are located world-wide. The majority of the premium and insurance risks derived from non-Japanese clients have been ceded to reinsurers in return for reinsurance commission.

All of the Company's business is conducted from its office in the UK or by staff working from their homes in the UK. The agents to which the Company has delegated underwriting authority conduct their business from offices in the UK, USA and the Netherlands.

The Company's material lines of business are the provision of non-life insurance services for the following types of commercial risk:

- Marine, aviation and transport risks
- Fire and other damage to property risks
- General liability risks
- Credit and suretyship risks

The Company's corporate vision is to be a leading, trusted and customer-centric insurance provider, continually evolving to meet the changing needs of its clients, driving value through service excellence and innovation.

Following modification of its strategy in 2024, the company ceased fronting business for non-Japanese clients for reinsurers outside the MS&AD group. Also, in line with this change in strategy, the Company commenced underwriting London Market business in 2025 and continued arrangements under which policies are written for non-Japanese clients and ceded to companies within the MS&AD group. These non-Japanese clients are served through a combination of delegated underwriting authorities and individual underwriting and are located world-wide.

Although the overall effect of these changes was to produce only a marginal increase in gross written premiums from £149,250k in 2024 to £150,917k in 2025, the impact of the change in strategy had a more significant impact on the net written premium, which increased from £4,757k in 2024 to £13,013k in 2025. This in turn led to an increase in net earned premium from £4,400k in 2024 to £7,145k in 2025 reflecting the time lag between premium written and earned.

Notwithstanding the increase in net earned premium, net commission income continued to be a larger source of profit for the Company in 2025 than the excess of net earned premium over net incurred claims. Due to the cessation of those arrangements under which the Company fronted business for non-Japanese clients for reinsurers outside the MS&AD group and the consequent decrease in reinsurance commission earned therefrom, net commission income decreased from £13,844k in 2024 to £10,251k in 2025.

In line with the modification to the Company's strategy, expenditures incurred in 2024 to develop the necessary underwriting capability, including suitable systems, processes and human resources, continued into 2025. These are the primary factor in the increase in operational expenses from £16,565k in 2024 to £19,828k in 2025.

The Company's management has assessed the potential impact of the conflict that broke out in the Middle East on 28 February 2026. The Company has minimal underwriting exposure in the affected region and does not believe it has affected the value of any of its assets or liabilities.



The Company's results in 2025 and 2024 are summarised in the following table:

Profit or Loss account	2025	2024
	£k	£k
Gross Written Premium	150,917	149,250
Net Written Premium	13,013	4,757
Net Earned Premium	7,145	4,400
Net Claims Incurred	(3,411)	(2,747)
Reinsurance Commission Income net of Gross Commission	10,251	13,844
Technical Expenses	(128)	64
Operational Expenses	(19,828)	(16,565)
Underwriting Profit/(Loss)	(5,971)	(1,005)
Investment return	7,680	8,316
Foreign exchange gain / (loss)	76	(939)
Profit before tax	1,785	6,372
Tax charge	(631)	(1,663)
Profit after tax	1,154	4,709

Statement of Comprehensive Income	2025	2024
	£k	£k
Profit after tax	1,154	4,709
Total Comprehensive Income	1,154	4,709

<i>Net Claims ratio</i>	<i>48%</i>	<i>62%</i>
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Gross written premium increased from £149,250k in 2024 to £150,917k in 2025. Business from Japanese clients decreased, with gross written premium falling from £61,038k in 2024 to £57,133k in 2025. However, an increase in the Company's retention of this business resulted in net written premiums rising from £4,757k in 2024 to £5,445k in 2025.

Gross written premium from non-Japanese clients rose by 6.3% from £88,212k in 2024 to £93,784k in 2025. Net written premium from non-Japanese clients was £7,568k in 2025, having been zero in 2024, reflecting the commencement of non-Japanese London Market business during the year.

Reinsurance commission income net of gross commission, being the reinsurance commission receivable less the commission payable for the period of cover within the calendar year, has decreased from £13,844k in 2024 to £10,251k in 2025. This is due to the cessation of those arrangements under which the Company fronted business for non-Japanese clients for reinsurers outside the MS&AD group and consequent decrease in earned commission therefrom.

As noted above, the majority of business from Japanese clients was ceded to reinsurers hence the gross claims arising are mostly recoverable under the Company's reinsurance policies, leaving a relatively small net claim charge. While a larger proportion of the new London Market business is retained, business volumes and earnings in 2025 were relatively low and hence the net claim charge was also relatively small. Claims experience in 2025 was favourable to 2024, with the net claim ratio decreasing from 62% in 2024 to 48% in 2025. This was primarily due to reductions in the projected ultimate cost of claims from earlier years.

In line with the modification of the Company's strategy, expenditures incurred in 2024 to develop the necessary underwriting capability, including suitable systems, processes and human resources, continued into 2025. These are the primary factor in the increase in Operational Expenses from £16,565k to £19,828k.



In addition to its underwriting activities the Company holds an investment portfolio from which it generates an investment return. At 31 December 2025 this portfolio comprised investments in a fund regulated under the Undertakings for the Collective Investment in Transferable Securities (“UCITS”) regulatory framework, bank Commercial Paper (classified as Corporate Bonds), term deposits, money market funds and current bank accounts.

The fair value of the investment portfolio by investment type and cash holdings at 31 December 2025 and 31 December 2024 is set out in the following table:

	Fair value at 31 Dec 2025 £k	Fair value at 31 Dec 2024 £k
Corporate Bonds	19,820	29,583
Bank term deposits	30,000	30,000
UCITS fund	89,494	74,775
Money market funds	2,868	31,130
Current bank accounts	9,313	9,163
Total	151,495	174,651

The allocation of funds to the various investment types is set by reference to risk appetites which limit the concentration of deposits or investments with any single counterparty and ensure minimum levels of creditworthiness and liquidity. The highest level of return is sought within these constraints.

The returns achieved in 2025 and 2024 by investment type are set out in the following tables:

2025	Corporate Bonds	Bank term deposits	UCITS fund	Money market funds	Current bank accounts	Total
Return (£k)	1,059	1,370	4,950	523	22	7,925
Expenses (£k)	(23)	-	(221)	-	-	(244)
Net of expenses	1,036	1,370	4,729	523	22	7,681
Yield (% of amount invested)	4.4%	4.6%	5.7%	4.0%	0.3%	4.6%
Expenses (%)	(0.1%)	-	(0.3%)	-	-	(0.1%)
Net of expenses	4.3%	4.6%	5.5%	4.0%	0.3%	4.5%

2024	Corporate Bonds	Bank term deposits	UCITS fund	Money market funds	Current bank accounts	Total
Return (£k)	1,225	1,713	4,071	1,513	25	8,547
Expenses (£k)	(65)	-	(166)	-	-	(231)
Net of expenses	1,160	1,713	3,905	1,513	25	8,316
Yield (% of amount invested)	5.1%	4.9%	5.6%	4.8%	0.3%	5.0%
Expenses (%)	(0.3%)	-	(0.2%)	-	-	(0.1%)
Net of expenses	4.8%	4.9%	5.4%	4.8%	0.3%	4.9%

The investment return net of expenses in 2025 at a gain of 4.5% compares to a gain of 4.9% in 2024.

The performance of the holding in the UCITS fund improved marginally in 2025 with the yield before expenses increasing from 5.6% to 5.7%. Returns available from asset types with negligible exposure to market risk decreased from £4,476k in 2024 to £2,974k due to a combination of the reduction in average assets invested and lower yields, which in turn reflected falls in the Bank of England base rate.

As a result of these developments the overall investment return before expenses reduced from £8,547k in 2024 to £7,925k in 2024.



System of Governance

Board, committees and organisation structure

The ultimate responsibility and authority over the conduct of all the affairs of the Company rest with its board of directors (“the Board”).

As at 31 December 2025 the Company’s Board of Directors (the “Board”) was composed of two independent non-executive directors, three non-executive directors employed by another MS&AD Group company, and three executive directors.

The Board has delegated its authority to a number of committees to facilitate and assist in the execution of its responsibilities. Three committees report directly into the Board as follows:

- Audit Committee
- Risk and Capital Committee
- Remuneration and Nomination Committee

The Chief Executive Officer is assisted in the performance of his duties by an Executive Committee.

Four management committees report into the Executive Committee as follows:

- Underwriting and Claims Committee
- Operations Committee
- Finance Committee
- Reserving Committee

A fifth management committee reports into the Underwriting and Claims Committee as follows:

- Reinsurance Committee

Each committee operates in accordance with its own individual Terms of Reference and other relevant policies, frameworks and procedures.

The Company’s organisation structure is set out in a Management Responsibilities Map which sets out the Company’s key functions, a summary of significant responsibilities allocated to the individuals who are responsible for each of these functions, and the reporting lines for each of those individuals. The following have been identified as the Company’s key functions:

- Risk Management Function
- Compliance Function
- Internal Audit Function
- Actuarial Function
- Operations Function
- Claims Function
- Reinsurance Function
- Underwriting Function
- Finance Function
- Investment Management Function
- Japanese Interests Abroad Marketing Function
- Human Resources Function

The key functions regularly report their activities to the Board and its committees.

Remuneration

The remuneration of all employees is overseen by the Remuneration and Nomination Committee, the membership of which is composed exclusively of Non-Executive Directors and controlled by the Company’s Remuneration Policy. This policy allows the use of fixed, and variable pay and long-term incentive plans. It is intended to ensure remuneration:

- is aligned to the long-term business strategy, business objectives and risk appetite,
- has appropriate linkage to the Company’s and individuals’ performance,
- is compliant with relevant PRA and FCA regulation or guidelines,
- supports the Company’s aim of attracting, retaining and motivating its employees,
- is affordable considering the Company’s overall performance and plans, and
- sets a consistent approach across the organisation.



Fit and Proper policy

All individuals who run the Company and its key functions must satisfy the Company's Fit and Proper Policy. To do this they must satisfy the following criteria:

- 1) they must have suitable personal characteristics (including being of good repute and integrity),
- 2) they must possess the appropriate level of competence, knowledge and experience,
- 3) they must have the requisite qualifications,
- 4) they must have undergone or be undergoing all training required to enable such person to perform his or her function effectively in accordance with any regulatory requirements and contribute to the sound and prudent management of the Company, and
- 5) they must comply with Conduct standards and rules.

Risk management system, risk reporting, own risk and solvency assessment, and internal control

The Company uses the "three lines of defence" governance model with the aim of ensuring effective risk management. Each line of defence is defined as follows:

First Line of Defence - Risk Takers and Controllers

The First Line of Defence consists of a wide range of individuals in various business functions, who are accountable to own and manage risks as part of their day-to-day roles. They are the risk takers and are responsible for identifying, assessing, owning and managing the risk on a day-to-day. First line conducts regular risk and control self-assessments.

Second Line of defence – Corporate Risk Management

The Second Line of Defence facilitates, challenges and monitors the implementation of effective risk management and regulatory compliance across the business; also supporting the risk owners to define target risk exposure and report risk related information to key stakeholders. Acting as the second line, the Risk and Compliance Functions facilitate the ability of the first line to take the appropriate level of risk and effectively manage the exposures the company faces as a result. These functions do not directly commit the company to taking any risk.

Third Line of defence – Internal Audit

The Internal Audit function provides independent assurance to the Board and Audit Committee on how effectively the organisation (both first and second Line) assesses and manages its risks.

Risk Reporting

The Company maintains a risk register as the central repository of core risks which holds data regarding the company's risk profile.

Each risk includes a description of the risk, risk owner, key controls and the gross and residual risk rating which is based on the combination of an impact and likelihood rating. All risks are categorised in line with the Risk Policy categories and are assessed qualitatively and quantitatively where possible.

The Risk Function produces a quarterly Risk Report, which is designed to provide the Board and the Risk and Capital Committee with an overview of any issues regarding the risk profile of the Company. The Risk Management Function also provides reports to the Committees on the following matters:

- Actual performance compared to the risk appetites set by the Board.
- Risk events and issues arising.
- Emerging risks which could affect the Company's business in the future.
- Actions arising and the progress made in completing the actions.

Own Risk and Solvency Assessment ("ORSA")

The ORSA process is a continuous, forward-looking process that takes place throughout the year with the aim of informing management decisions with formal analyses of the risk and capital implications of management decisions. A full ORSA Report is produced at least once a year summarising the implications of all key decisions made during the year and incorporating the updated business plan.

Internal control

The Company's internal control system comprises strategies, policies, processes and procedures, backed by systematic measures (such as reviews, audits, and checks) to:

- conduct the Company's business in an orderly and efficient manner,
- safeguard its assets and resources,



- deter and detect errors, fraud and theft,
- ensure accuracy and completeness of its data,
- produce reliable and timely financial and management information, and
- ensure adherence to relevant laws and regulations.

It is summarised in the Internal Control Policy which has five components as follows:

- 1) The control environment (being the general principles necessary for effective internal control)
- 2) The methods for identifying and evaluating risks and their associated controls
- 3) The main control activities (e.g. approval processes, and review cycles)
- 4) Information processes and the controls to ensure completeness, accuracy and appropriateness of information
- 5) Monitoring effectiveness of controls

Risk Profile

In the course of its operations the Company is exposed to various risks categorised as follows:

Underwriting Risk

Underwriting risk is the risk of loss arising from the insurer's insurance obligations. It reflects uncertainty in claims, premiums, and reserves.

Underwriting risk comprises:

- Premium Risk – the risk that future claims and expenses exceed the premiums charged
- Reserve Risk – the risk that existing technical provisions are insufficient to meet actual claims
- Catastrophe Risk – exposure to extreme or exceptional events (e.g., windstorm, flood, earthquake, large liability events)
- Lapse Risk – risk of financial loss due to unexpected policy cancellations, renewals, or surrenders

Underwriting and loss experience is reviewed regularly for loss trends, emerging exposures, changes in the regulatory or legal environment as well as the efficacy of policy terms and conditions.

The Company purchases a significant amount of reinsurance protection which mitigates both premium and reserve risk. Therefore, when claims are paid to policyholders a significant proportion of these claims can be recovered from reinsurers. Facultative reinsurance protection is specific and is purchased for individual policies. Treaty reinsurance is purchased to protect all policies within a line of business.

Market Risk

Market risk is the risk of loss arising from movements in financial markets that affect the value of assets or liabilities.

Market risk comprises:

- Interest Rate Risk – sensitivity to changes in the yield curve
- Equity Risk – exposure to changes in equity prices
- Spread Risk – risk of widening credit spreads on bonds or other credit-sensitive assets
- Currency Risk – risk of adverse movements in foreign exchange rates
- Property Risk – exposure to changes in the value of property investments
- Concentration Risk – excessive exposure to a single issuer, sector, or asset class

From the first quarter of 2020 the Company began investing in a fund regulated under the Undertakings for the Collective Investment in Transferable Securities ("UCITS") regulatory framework with exposure to market risk to achieve a marginal increase in yield. The fund has experienced volatility during the bouts of market turbulence caused by the Covid-19 pandemic, the Russian invasion of Ukraine, and the changes in central bank base rates.

Holdings in corporate bonds comprise only bank Commercial Paper with a term of no more than one year which is held to maturity. As such, they are valued at amortised cost, and unlike other types of corporate or government bonds, their value is not prone to fluctuate due to movements in the wider bond markets. Similarly holdings in money market funds, bank term deposits and operational cash balances, are not prone to fluctuation in value due to developments in wider investment markets.



The Company regularly monitors the foreign exchange market risk arising from differences in the value of its foreign currency assets and liabilities. Where differences are detected in excess of the tolerances set in the associated risk appetite, they are reduced by executing the necessary foreign exchange trades.

Credit Risk

Credit risk is the risk of loss due to the unexpected default or deterioration in creditworthiness of counterparties.

Credit risk comprises:

- Reinsurers - risk of non-payment of claims
- Brokers and Intermediaries – risk of non-payment of premiums collected
- Investment Counterparties – banks, bond issuers, and money market funds

The Company relies heavily on reinsurance. The majority of the premium paid by insured parties to the Company is paid to reinsurers. Consequently, the Company can recover the majority of the claims it pays to insured parties from its reinsurers. The Company is thereby exposed to the risk that its reinsurers are either unable to pay due to financial difficulties or are unwilling to pay due to a dispute with the Company.

At 31 December 2025 the Company's investment assets were invested in a UCITS fund, bank Commercial Paper, bank term deposits, money market funds and cash held in current bank accounts. The Company is exposed to risk of default by the counterparties to all of these investment types.

The Company mitigates credit risk by:

- setting limits on the exposure to individual reinsurers,
- requiring the wording for facultative reinsurance purchased for individual policies to be consistent with the original wording to minimise the potential for dispute,
- imposing minimum credit quality requirements for reinsurers, financial institutions and other investment counterparties for each asset class,
- imposing minimum credit quality requirements on the investment portfolio as a whole, and
- setting limits on the amount that can be invested with any one counterparty across all types of investment such as:
 - the amount invested with any one counterparty cannot exceed a set percentage of the total value of investment assets

Liquidity Risk

Liquidity risk is the risk that the insurer cannot meet its financial obligations as they fall due, despite being solvent.

Liquidity risk comprises:

- Large or unexpected claims payments
- Timing mismatches between claims payments and reinsurance recoveries
- Holding illiquid assets

The most significant liquidity risk is that the Company may be required to pay a very large individual claim or a very large amount arising from an event following which claims are payable to multiple insured parties such as a natural catastrophe, and having insufficient liquid assets to do so. As noted above, the Company relies heavily on reinsurance. Therefore, it is likely that a large proportion of these claim payments would be recoverable from reinsurers.

The Company mitigates liquidity risk by:

- including "cash call clauses" in all reinsurance contracts (with the exception of excess of loss reinsurance contracts) which allow the Company to make recoveries from reinsurers before paying claims to insured parties, and
- maintaining sufficient liquid assets to pay claims.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events.

Examples of operational risks are:

- IT failures or cyber-attacks



- Fraud or human error
- Outsourcing failures
- Regulatory breaches
- Business continuity events

The Company considers its most material Operational Risks are key person risk, business disruption, and IT systems failure. Succession plans have been developed for key individuals to mitigate this risk. The Company has also developed a business continuity plan to mitigate the risk of business disruption and IT system failure.

Group Risk

The Company is part of the MS&AD Insurance Group Holdings, Inc group (“MS&AD”) and relies upon its immediate parent company, Mitsui Sumitomo Insurance Company Limited (“MSIJ”), to provide capital and other support to fulfil its strategy. In addition, the Company currently also receives certain services, including IT services, from another group company MS Amlin Corporate Services Limited (“MS ACS”). As a result of these interdependencies, the Company could be adversely affected by the following:

- Withdrawal of support by MSIJ
- Lack of MSIJ strategic planning
- A downgrade of MS&AD’s credit ratings
- Contagion from the activities or poor reputation of another MS&AD company

The Company mitigates these risks by maintaining close communication with MSIJ to ensure the Company’s strategy is aligned to group strategy. The Company’s management also liaise with MS ACS’s management to ensure shared services operate smoothly.

Valuation for Solvency Purposes

All items recorded on the Company’s balance sheet (being its assets, Technical Provisions and other liabilities) are valued for solvency purposes in accordance with Solvency UK regulations. For most items on the balance sheet these are in line with the valuations used under UK Generally Accepted Accounting Practice (“UK GAAP”). The principal exceptions to this are the Technical Provisions. In accordance with Solvency UK regulations the method of calculation differs from UK GAAP insofar as Solvency UK requires the Technical Provisions to:

- take account of profits from policies written at the reporting date but the premium from which has not been recognised as earned under UK GAAP,
- take account of profits from policies not yet written or incepted at the reporting date but to which the Company is legally bound,
- take account of all the operational expenses (and not just the claim handling expenses as required under UK GAAP) that would be incurred over the period required to fully discharge the insurance obligations represented by the Technical Provisions,
- take account of Events Not In Data (“ENIDs”) such as potential new sources of claims, an example being claims arising from new as yet unidentified diseases,
- exclude any margin above the best estimate of future liabilities that may have been included under UK GAAP,
- take account of the time value of money by discounting the value of the future cashflows represented by the Technical Provisions,
- include a risk margin which represents the cost of transferring the obligations to a third party and is calculated by considering the cost of holding capital to support the run-off of the Technical Provisions over their lifetime,
- include insurance and intermediary receivables that are not yet due or have been due for no more than three months past (such amounts being separately classified under UK GAAP), and
- include reinsurance payables (such amounts being separately classified under UK GAAP).

Standard actuarial methods have been used to calculate the Technical Provisions. Nevertheless, they are subject to uncertainty arising from:

- future events
- the settlement of known claims
- delays in reporting claims
- the methodologies and assumptions used to estimate the Technical Provisions



Capital Management

At all times the Company expects to hold a wide margin of Own Funds over its capital requirements with regard to both its current business and its business planned to be written in the future. The Company calculates its Solvency Capital Requirement and Minimum Capital Requirement using the Standard Formula prescribed by the Solvency UK regulations.

Total available Own Funds to meet the Company's Solvency Capital Requirement at 31 December 2025 stood at £144,340k (2024: £141,537k). Own Funds comprise Tier 1 Basic Own Funds of £124,340k and Tier 2 Ancillary Own Funds of £20,000k. All are eligible to meet the Solvency Capital Requirement.

Total available Own Funds to meet the Company's Minimum Capital Requirement at 31 December 2025 stood at £124,340k (2024: £121,537k) being Tier 1 Basic Own Funds. All of these Tier 1 Basic Own Funds are eligible to meet the Minimum Capital Requirement.

The Solvency Capital Requirement at 31 December 2025 was £61,683k (2024: £62,589k). The ratio of eligible Own Funds to this requirement is 234% (2024: 226%).

The Minimum Capital Requirement at 31 December 2025 was £15,420k (2024: £15,647k). The ratio of eligible Own Funds to this requirement is 806% (2024: 777%).



A. Business and Performance

A.1 Business

Mitsui Sumitomo Insurance Company (Europe), Limited (“the Company”), a private company limited by shares, is incorporated in the UK. The Company’s registered office and business address is:

122 Leadenhall Street
London
EC3V 4AG

Supervisory Authority

The supervisory authority of the Company is the Prudential Regulation Authority (“PRA”). The address of the PRA is:

The Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

External Auditors

The independent external auditors of the Company are:

Forvis Mazars LLP
30 Old Bailey
London
EC4M 7AU

Qualifying Holdings and Group Structure

As at 31 December 2025 the entire share capital of the Company was owned by Mitsui Sumitomo Insurance Company Limited (“MSIJ”), a company incorporated in Japan. The ultimate parent of the Company is MS&AD Insurance Group Holdings, Inc., a company incorporated in Japan.

The direct and indirect holders of qualifying holdings in the Company are as follows:

Name of Undertaking	Country of Parent	Name of Parent	Amount of shares owned
Mitsui Sumitomo Insurance Company, (Europe) Limited	Japan	Mitsui Sumitomo Insurance Company Limited	100%
Mitsui Sumitomo Insurance Company Limited	Japan	MS&AD Insurance Group Holdings, Inc.	100%

The Company’s position within the MS&AD Insurance Group Holdings, Inc group (“MS&AD”), headed by MS&AD Insurance Group Holdings, Inc, along with the position of other group companies referred to in this report is shown as at 1st April 2026 in the diagram below:



Extract of the MS&AD Group Structure Chart



Material lines of business and material geographical areas

The Company provides insurance services to both Japanese and non-Japanese clients.

Japanese clients are located in the United Kingdom, continental Europe, and sub-Saharan Africa. The majority of the premium and insurance risks derived from Japanese clients are ceded to reinsurers in return for reinsurance commission.

Non-Japanese clients are served through a combination of delegated underwriting authorities and individual underwriting and are located world-wide. The majority of the premium and insurance risks derived from non-Japanese clients have been ceded to reinsurers in return for reinsurance commission.

All of the Company’s business is conducted from its office in the UK or by staff working from their homes in the UK. The agents to which the Company has delegated underwriting authority conduct their business from offices in the UK, USA and Netherlands.

The Company’s material lines of business are the provision of non-life insurance services for the following types of commercial risk:

- Marine, aviation and transport risks
- Fire and other damage to property risks
- General liability risks
- Credit and suretyship risks

Significant business or other events

Following modification of its strategy in 2024, the company ceased fronting business for non-Japanese clients for reinsurers outside the MS&AD group. Also, in line with this change in strategy, the Company commenced underwriting London Market business in 2025 and continued arrangements under which policies are written for non-Japanese clients and ceded to companies within the MS&AD group. These non-Japanese clients are served through a combination of delegated underwriting authorities and individual underwriting and are located world-wide.

Although the overall effect of these changes was to produce only a marginal increase in gross written premiums from £149,250k in 2024 to £150,917k in 2025. The impact of the change in strategy had a more significant impact on the net written premium, which increased from £4,757k in 2024 to £13,013k in 2025. This in turn led to an increase in net earned premium from £4,400k in 2024 to £7,145k in 2025 reflecting the time lag between premium written and earned.



Notwithstanding the increase in net earned premium, net commission income continued to be a larger source of profit for the Company in 2025 than the excess of net earned premium over net incurred claims. Due to the cessation of those arrangements under which the Company fronted business for non-Japanese clients for reinsurers outside the MS&AD group and the consequent decrease in reinsurance commission earned therefrom, net commission income decreased from £13,844k in 2024 to £10,251k in 2025.

In line with the modification to the Company's strategy, expenditures incurred in 2024 to develop the necessary underwriting capability, including suitable systems, processes and human resources, continued into 2025. These are the primary factor in the increase in operational expenses from £16,565k in 2024 to £19,828k in 2025.

Capital Management

The Company's capital structure was enhanced on 1 October 2022 by the introduction of a Letter of Credit for £20,000k of which the Company is the beneficiary. The Letter of Credit is issued by SMBC Bank International plc, a bank incorporated in the United Kingdom, and is automatically extended unless notice is given a minimum of one year and sixty days in advance. The Prudential Regulation Authority has renewed its approval for it to be taken into account as an amount of ancillary own funds when calculating the Company's total own funds for purposes of calculating its solvency ratio under the Solvency UK regulatory regime. No further changes have been made to the Company's capital structure in 2025.

A.2 Underwriting Performance

The main business of the Company during 2025 was:

- a) provision of insurance services to Japanese clients located in the United Kingdom, continental Europe, and sub-Saharan Africa, and
- b) provision of insurance services to non-Japanese clients located worldwide through a combination of delegated underwriting authorities and individual underwriting, with all delegated business and a portion of individually underwritten business ceded to reinsurers in return for reinsurance commission.

Technical account	2025 £k	2024 £k
Gross Written Premium	150,917	149,250
Net Written Premium	13,013	4,757
Net Earned Premium	7,146	4,400
Net Claims Incurred	(3,412)	(2,747)
Reinsurance Commission Income net of Gross Commission	10,251	13,844
Underwriting Result before Expenses	13,985	15,496
Technical Expenses	(128)	64
Operational Expenses	(19,828)	(16,565)
Underwriting Profit/(Loss)	(5,971)	(1,005)

<i>Net Claims ratio</i>	48%	62%
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Gross written premium increased from £149,250k in 2024 to £150,917k in 2025. Business from Japanese clients decreased, with gross written premium falling from £61,038k in 2024 to £57,133k in 2025. However, an increase in the Company's retention of this business resulted in net written premiums rising from £4,757k in 2024 to £5,445k in 2025.

Gross written premium from non-Japanese clients rose by 6.3% from £88,212k in 2024 to £93,784k in 2025. Net written premium from non-Japanese clients was £7,568k in 2025, having been zero in 2024, reflecting the commencement of non-Japanese London Market business during the year.

Reinsurance commission income net of gross commission, being the reinsurance commission receivable less the commission payable for the period of cover within the calendar year, has decreased from £13,844k in 2024 to



£10,251k in 2025. This is due to the cessation of those arrangements under which the Company fronted business for non-Japanese clients for reinsurers outside the MS&AD group and consequent decrease in earned commission therefrom.

As noted above, the majority of business from Japanese clients was ceded to reinsurers hence the gross claims arising are mostly recoverable under the Company's reinsurance policies, leaving a relatively small net claim charge. While a larger proportion of the new London Market business is retained, business volumes and earnings in 2025 were relatively low and hence the net claim charge was also relatively small. Claims experience in 2025 was favourable to 2024, with the net claim ratio decreasing from 62% in 2024 to 48% in 2025. This was primarily due to reductions in the projected ultimate cost of claims from earlier years.

The gross claim ratio, calculated as the ratio of gross claims incurred to gross earned premiums, decreased from 50.0% in 2024 to 4.4% in 2025. This is due to the reduction in the ultimate cost of claims from those now discontinued arrangements under which the Company fronted business for non-Japanese clients for reinsurers outside the MS&AD group.

In line with the modification of the Company's strategy, expenditures incurred in 2024 to develop the necessary underwriting capability, including suitable systems, processes and human resources, continued into 2025. These are the primary factor in the increase in Operational Expenses from £16,565k to £19,828k.

The combination of these developments resulted in the balance on the technical account reducing in line with expectations from a loss of £1,005k in 2024 to a loss of £5,971k in 2025.

Material Lines of Business

The Company's underwriting performance in 2024 and 2025 analysed by material line of business as presented in its financial statements is shown below:

2025	Marine, Aviation and Transport	Fire and other damage to property	General Liability	Credit	Total
	£k	£k	£k	£k	£k
Gross Written Premium	27,310	45,463	13,987	64,156	150,917
Net Earned Premium	1,400	2,898	1,058	1,789	7,146
Net Claims Incurred	601	797	587	(5,396)	(3,412)
Reinsurance Commission Income net of Gross Commission	2,114	3,619	1,425	3,092	10,251
Underwriting Result before Expenses	4,116	7,314	3,070	(515)	13,985
Technical Expenses					(128)
Operational Expenses					(19,828)
Underwriting Profit/(Loss)					(5,971)
<i>Net Claim ratio</i>	<i>(43%)</i>	<i>(27%)</i>	<i>(55%)</i>	<i>302%</i>	<i>48%</i>



2024	Marine, Aviation and Transport	Fire and other damage to property	General Liability	Credit	Total
	£k	£k	£k	£k	£k
Gross Written Premium	28,046	46,269	6,247	68,688	149,250
Net Earned Premium	1,209	2,269	764	158	4,400
Net Claims Incurred	(1,047)	352	(2,050)	(3)	(2,747)
Reinsurance Commission Income net of Gross Commission	2,169	7,725	1,543	2,406	13,844
Underwriting Result before Expenses	2,331	10,347	257	2,561	15,496
Technical Expenses					64
Operational Expenses					(16,565)
Underwriting Profit/(Loss)					(1,005)

<i>Net Claim ratio</i>	87%	(16%)	268%	2%	62%
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Marine, Aviation and Transport

At £27,310k the gross written premium for the Marine, Aviation and Transport line of business remained almost unchanged compared to 28,046k in 2024. This is reflected in the reinsurance commission income net of gross commission which was £2,114k in 2025 compared to £2,169k in 2024. The £191k increase in net earned premium is due to the higher value of retained business from Japanese clients.

The net claim ratio in 2025 at *negative* 43% compares to 87% in 2024. This volatility reflects the small size of the retained business and the effect on the net claim ratio of a relatively small number of claims. The Net Claims Incurred *credit* of £601k in 2025 is due to reductions in the projected ultimate cost of claims from earlier years.

Fire and Other Damage to Property

The gross written premium for the Fire and Other Damage to Property line of business fell slightly from £46,269k in 2024 to £45,463k in 2025. This movement reflects the cessation of delegated underwriting authorities under which policies were fully ceded to reinsurers outside the MS&AD group, to be replaced by a similar volume of new London Market business written during the year. The replacement of fully-ceded business by London Market business, the risk from which is partially retained, has resulted in an increase in net earned premium from £2,269k in 2024 to £2,898k in 2025. This change in business mix also drove the fall in reinsurance commission income net of gross commission, which decreased from £7,725k in 2024 to £3,619k in 2025, reflecting the lower level of premium ceded to reinsurers.

The net claim ratio in 2025 of *negative* 27% compares to *negative* 16% in 2024, reflecting the very low level of ongoing net attritional claim activity and the release of surplus claim reserves.

General Liability

The gross written premium for the General Liability line of business increased from £6,247k in 2024 to £13,987k in 2025 due to a growth in Liability business written through delegated underwriting authorities during the year. Reinsurance commissions net of gross commission decreased slightly down from £1,543k to £1,425k reflecting less favourable commission rates from Japanese client business, partially offset by increased net commission income from the earned portion of the delegated underwriting business recognised in the period.

The net claim ratio in 2025 was *negative* 55% compared with 268% in 2024. 2025 benefitted from favourable developments on prior year claim reserves, in contrast to 2024 where the developments in a number of claims, in particular those relating to prior underwriting years, caused the net claim ratio to increase sharply.

Credit

Gross written premium for the Credit line of business reduced from £68,688k in 2024 to £64,156k in 2025. This decrease of £4,532k is due to the reduction in policies written for non-Japanese clients and fully ceded to reinsurers outside the MS&AD group partially offset by the commencement of new London Market trade credit delegated authority business.



This new London Market business is partially retained causing net earned premiums to increase from £158k in 2024 to £1,789k in 2025. It is also responsible for the high net claim ratio in 2025 of 302%, which in turn is due to claim reserves set for potential claims to reflect the large limits relative to the low level of net earned premium to date.

Material Geographical Areas

During 2024 and 2025 the principal geographical areas from which the Company generated gross written premium were the United Kingdom, European Union, and USA. In territories where the Company does not have a licence to underwrite risks directly they are underwritten by local insurance companies and reinsured back to the Company. The agents to which the Company has delegated underwriting authority conduct their business from offices in the United Kingdom, USA, and Netherlands.

The Company's Operational Expenses are incurred almost entirely in the United Kingdom.¹

The Company's underwriting performance in 2024 and 2025 by material geographical area based on location of risk is set out in the following tables:

2025	UK £k	European Union £k	CIS £k	USA £k	Other £k	Total £k
Gross Written Premium	57,751	23,104	1,628	39,068	29,366	150,917
Net Earned Premium	3,408	951	60	1,594	1,133	7,146
Net Claims Incurred	(3,711)	(121)	-	-	420	(3,412)
Reinsurance Commission Income net of Gross Commission	6,108	1,691	32	971	1,448	10,251
Underwriting Result before Expenses	5,805	2,521	92	2,566	3,002	13,985
Technical Expenses						(128)
Operational Expenses						(19,828)
Underwriting Profit/(Loss)						(5,971)
<i>Net Claims ratio</i>	109%	13%	0%	0%	(37%)	48%

2024	UK	European Union	CIS	USA	Other	Total
Gross Written Premium	91,006	15,010	(3,526)	20,185	26,575	149,250
Net Earned Premium	2,538	560	17	1	1,283	4,400
Net Claims Incurred	(2,752)	(47)	13	(0)	39	(2,747)
Reinsurance Commission Income net of Gross Commission	7,923	1,786	921	2,217	996	13,844
Underwriting Result before Expenses	7,709	2,299	952	2,218	2,318	15,496
Technical Expenses						64
Operational Expenses						(16,565)
Underwriting Profit/(Loss)						(1,005)
<i>Net Claims ratio</i>	108%	8%	(75%)	0%	(3%)	62%

During 2025, gross written premium decreased in the United Kingdom and European Union and increased in the United States due to the difference in geographical location of the discontinued business fronted for reinsurers outside the MS&AD group and its replacement by new London Market business. The changes in reinsurance commission income net of gross commission on a geographical basis reflects these changes in gross written premium, albeit the effect is time-lagged to allow for earning.

The increase in net claims incurred in the United Kingdom of £959k was largely due to additional claim reserves for the new London Market business which commenced during the year and from which a portion of the risk is retained.

¹ The only overseas expenses are in connection with a small marketing research office in Johannesburg, South Africa. These expenses are negligible.



A.3 Investment Performance

The fair value of the investment portfolio by investment type and cash holdings at 31 December 2025 and 31 December 2024 is set out in the following table:

	Fair value at 31 Dec 2025 £k	Fair value at 31 Dec 2024 £k
Corporate Bonds	19,820	29,583
Bank term deposits	30,000	30,000
UCITS fund	89,494	74,775
Money market funds	2,868	31,130
Current bank accounts	9,313	9,163
Total	151,495	174,651

Since 2020, a portion of the Company's investment portfolio has been invested in a fund regulated under the Undertakings for the Collective Investment in Transferable Securities ("UCITS") regulatory framework. The fund has exposure to market risk and the investment is made with the intention of generating higher returns than those available from bank Commercial Paper, holdings in other regulated collective investment schemes, and deposits with credit institutions, all of which have limited exposure to market risk. An additional £10,000k investment was made into the fund in 2025 increasing the total invested from £68,000k at 31 December 2024 to £78,000k at 31 December 2025.

The allocation of funds to the various investment types is set by reference to risk appetites which limit the concentration of deposits or investments with any single counterparty and ensure minimum levels of creditworthiness and liquidity. The highest level of return is sought within these constraints.

The returns achieved in 2025 and 2024 by investment type are set out in the following tables:

2025	Corporate Bonds	Bank term deposits	UCITS fund	Money market funds	Current bank accounts	Total
Return (£k)	1,059	1,370	4,950	523	22	7,925
Expenses (£k)	(23)	-	(221)	-	-	(244)
Net of expenses	1,036	1,370	4,729	523	22	7,681
Yield (% of amount invested)	4.4%	4.6%	5.7%	4.0%	0.3%	4.6%
Expenses (%)	(0.1%)	-	(0.3%)	-	-	(0.1%)
Net of expenses	4.3%	4.6%	5.5%	4.0%	0.3%	4.5%

2024	Corporate Bonds	Bank term deposits	UCITS fund	Money market funds	Current bank accounts	Total
Return (£k)	1,225	1,713	4,072	1,513	25	8,547
Expenses (£k)	(65)	-	(166)	-	-	(231)
Net of expenses	1,160	1,713	3,906	1,513	25	8,316
Yield (% of amount invested)	5.1%	4.9%	5.6%	4.8%	0.3%	5.0%
Expenses (%)	(0.3%)	-	(0.2%)	-	-	(0.1%)
Net of expenses	4.8%	4.9%	5.4%	4.8%	0.3%	4.9%

The investment return net of expenses in 2025 at a gain of 4.5% compares to a gain of 4.9% in 2024.

The performance of the holding in the UCITS fund improved marginally in 2025 with the yield before expenses increasing from 5.6% to 5.7%. Returns available from asset types with negligible exposure to market risk



decreased from £4,476k in 2024 to £2,974k due to a combination of the reduction in average assets invested and lower yields, which in turn reflected falls in the Bank of England base rate.

As a result of these developments the overall investment return before expenses reduced from £8,547k in 2024 to £7,925k in 2024.

Investment expenses

Investment expenses incurred over the year to 31 December 2025 of £244k (2024: £231k) comprise management fees for the investment in the UCITS fund and arrangement fees for Term Deposits and bank Commercial Paper.

As a result of these developments the overall investment return (net of expenses and charges) decreased from a gain of £8,316k in 2024 to a gain of £7,681 in 2025.

A.4 Performance of other activities

The Company had no other material income or expenses during the years to 31 December 2025 and to 31 December 2024 other than those arising from its underwriting and investment activities.

A.5 Any other information

The Company has no other information to report on its business and performance.



B. System of Governance

B.1 General Information on the system of governance

Structure of the administrative, management or supervisory body

As at 31 December 2025 the Company's Board of Directors (the "Board") was composed of two independent non-executive directors, three non-executive directors employed by another MS&AD Group company, and three executive directors.

The Board has ultimate responsibility and authority over the conduct of all of the affairs of the Company and has established and adopted a formal document detailing its terms of reference and matters reserved for the Board. The Board is chaired by an independent non-executive director.

The role of the Board is to:

- (i) create value for the shareholder, and ensure that obligations to the shareholder and other stakeholders are understood and met,
- (ii) set values and standards,
- (iii) establish a sustainable business model and a clear strategy consistent with that model,
- (iv) provide the entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed,
- (v) articulate and oversee clear and measurable statements of risk appetite against which major business decisions are actively assessed,
- (vi) ensure systems and controls are in place to comply with all relevant regulations,
- (vii) promote a culture that supports prudent management,
- (viii) ensure that the necessary financial and human resources are in place for the Company to meet its objectives, and
- (ix) review management performance.

The Board has delegated its authority to a number of Committees to facilitate and assist with the execution of its responsibilities. These Committees operate in accordance with their individual Terms of Reference and other relevant policies, frameworks and procedures.

Following the withdrawal of the FCA requirement to appoint a Consumer Duty Champion (effective February 2025), the Board has taken the decision that all Board members are jointly responsible for Consumer Duty reflecting their commitment to fulfilling the requirements. The Chief Underwriting Officer remains the SMF responsible for Product Governance.

The Company's committee structure is set out in Appendix 2.

Three committees report directly into the Board as follows:

Audit Committee

The Audit Committee membership comprised all the non-executive directors and meets at least four times a year. The regular attendees of the Audit Committee include the Chief Executive Officer, Chief Financial Officer, Chief Actuary, Chief Risk Officer, and Head of Internal Audit. The Audit Committee is chaired by an independent non-executive director.

The main roles of the Audit Committee are to:

- review and monitor the integrity of the Company's financial statements,
- review the annual accounts and annual regulatory returns, and make recommendations with regard to these to the Board,
- review reports from internal and external auditors,
- monitor and review the effectiveness of the Internal Audit function, and
- monitor and review the independence, objectivity and effectiveness of external auditors.



Risk and Capital Committee

The Risk and Capital Committee membership comprised all the directors (including non-executive directors), and the Chief Risk Officer. The Risk and Capital Committee meets at least four times a year and regular attendees include the Chief Actuary. The Risk and Capital Committee is chaired by an independent non-executive director.

The main roles of the Risk and Capital Committee are to:

- oversee risk management and compliance activities and capital adequacy,
- oversee the Own Risk and Solvency Assessment process,
- promote a strong corporate risk management and compliance culture throughout the Company,
- oversee whistleblowing and financial crime prevention activities,
- monitor and assess climate change and sustainability risks, and
- monitor and assess risks associated with Operational Resilience and Business Continuity.

There are two working groups reporting to the Risk and Capital Committee, being the Capital Modelling Working Group and the Emerging Risks Working Group.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee membership comprised all the independent non-executive directors and one other non-executive director. The Remuneration and Nomination Committee meets at least three times a year and the regular attendees include the Chief Executive Officer and Head of HR. The Chief Executive Officer does not participate in the meeting when conflicts of interest exist or may potentially exist. The Remuneration and Nomination Committee is chaired by a non-executive director.

The main roles of the Remuneration and Nomination Committee are to:

- review, consider and make recommendations to the Board in respect of all proposed appointees to the Board, Senior Management Functions (“SMFs”) and Certification Functions (“CFs”),
- exercise authority delegated by the Board to consider and approve the remuneration of executive directors and the Company’s remuneration strategy and policies, and
- ensure that adequate succession planning is undertaken and maintained for all directors and holders of SMFs and CFs.

In addition to the three committees reporting into the Board, there are a number of management committees as follows:

Executive Committee

The Executive Committee comprised the Executive Directors, the Chief Operations Officer, the Chief Risk Officer, the Head of HR, and a representative from the Company’s direct parent company, with non-members invited from time to time. The Executive Committee met on a weekly basis.

The main role of the Executive Committee is to assist the Chief Executive Officer in the performance of his duties, including:

- implementation of strategy and key operational plans, policies, and procedures,
- developing the Company’s underwriting and investment strategy and plans for recommendation to the Board,
- monitoring financial performance and control of budgets,
- assessing and controlling risk, and
- ensuring appropriate and adequate capabilities and resources are in place.

Four other management committees report into the Executive Committee as follows:

Underwriting and Claims Committee

The Underwriting and Claims Committee is chaired by the Chief Underwriting Officer and senior representatives from Underwriting, Pricing, Reinsurance, Claims, Actuarial and Risk Management are members or regular attendees.

The Underwriting and Claims Committee meets at least four times a year and its main roles are to:



- review and recommend to the Executive Committee strategy in relation to underwriting, claims, reinsurance, and delegated underwriting authorities,
- keep under review the performance and activities of underwriting, claims, reinsurance, and delegated underwriting authorities,
- identify, oversee, monitor and mitigate (where possible) the key insurance, reinsurance and other risks which the Underwriting and Claims Committee is deemed responsible for, along with the associated risk indicators and the effectiveness and adequacy of the associated management controls, and
- monitor and assess all aspects of Conduct Risk.

The Reinsurance Committee, Delegated Underwriting Authority Working Group, Product Oversight Working Group, and Climate Risk Working Group report into the Underwriting and Claims Committee.

The Reinsurance Committee oversees the Company's reinsurance arrangements.

The Delegated Underwriting Authority Working Group oversees the development and implementation of procedures for the Company's delegated underwriting authorities.

The Product Oversight Working Group ensures adherence to the product governance and consumer duty frameworks through which the Company ensures it fulfils its regulatory responsibilities in this regard.

The Climate Risk Working Group is responsible for reviewing and monitoring compliance with the PRA's Supervisory Statement SS3/19 and SS2/25.

Operations Committee

The Operations Committee is chaired by the Chief Operations Officer and senior representatives from Underwriting Operations, IT, HR and Risk Management are members or regular attendees.

The Operations Committee meets at least four times a year and its principal roles are to:

- review and recommend to the Board strategy in relation to key operational matters including those related to personnel and technology,
- keep under review the performance and activities of key operational matters including those undertaken under outsourcing arrangements,
- identify, oversee, monitor and mitigate (where possible) key operational risks which the Operations Committee is deemed responsible for, along with the associated risk indicators and the effectiveness and adequacy of the associated management controls, and
- establish and maintain a Business Continuity Plan and monitor Operational Resilience.

Finance Committee

The Finance Committee is Chaired by Chief Financial Officer and senior representatives from Finance, Actuarial, Claims, and Risk Management are members or regular attendees. It meets at least ten times a year. The main roles of the Finance Committee are to:

- review the financial performance and position of the Company,
- oversee all aspects of the Company's finance related activities including production of annual accounts, annual regulatory returns and business plans,
- oversee the Company's cash and investment asset portfolios,
- review and monitor premium debt and investment credit risk, and
- review and monitor liquidity risk.

The Credit Control Working Group reports to the Finance Committee and assists in monitoring the Company's premium debt credit exposure.

Reserving Committee

The Reserving Committee membership is chaired by the Chief Financial Officer and senior representatives from Actuarial, Finance, Claims, Underwriting and Risk Management are members or regular attendees. The Reserving Committee met in the first, third and fourth quarters to review and recommend for approval:



- (i) the best estimate of claim reserves (including incurred but not reported claims) and management margin in accordance with UK Generally Accepted Accounting Practice (“UK GAAP”) at the end of the second, third and fourth quarters, and
- (ii) the best estimate of technical provisions and risk margin as calculated in accordance with Solvency II regulations at the end of the second and fourth quarters.

A fifth management committee reports into the Underwriting and Claims Committee as follows:

Reinsurance Committee

The Reinsurance Committee is chaired by the Chief Underwriting Officer and senior representatives from Reinsurance, Underwriting, Pricing, Underwriting Operations and Actuarial are members of the Committee.

The Reinsurance Committee meets at least nine times a year and its main role is to oversee the Company’s reinsurance arrangements.

System of Governance

The system of governance is designed to control the business of the Company.

The Board plays a key role in maintaining an effective system of governance. The Board has adopted a Board Governance Guideline, the purpose of which is:

- (i) to clarify and to promote high standards of Board governance within the Company,
- (ii) to apply the provisions of the Financial Reporting Council’s UK Corporate Governance Code as deemed appropriate in the context of the Company, and
- (iii) to comply with statutory and regulatory requirements in relation to the operation of the Board.

The structure, size and composition (including the skills, knowledge, experience and diversity) of the Board is regularly reviewed and any necessary changes are recommended to the Board. The Board ensures power and information are not concentrated in one or two individuals, there is not any undue reliance on any one director, and the Board is well diversified in terms of knowledge and experience.

The Board reviews its own performance, constitution and terms of reference to ensure its performance is effective. The Board’s performance evaluation is conducted annually and is periodically facilitated by an external evaluation process. The Chair of the Board acts on the results of the performance evaluation by recognising the strengths and addressing the weaknesses. The Compliance function also periodically reviews the Board’s performance to ensure it is performing in line with legislative requirements.

The Board is responsible for articulating and maintaining an effective culture to support the business model and business practice. The Board monitors and reviews the culture throughout the year and is responsible for embedding corporate values across the business. An employee engagement survey is carried out at least once a year and includes questions on compliance and conduct culture.

While the Board retains ultimate responsibility, the Board delegates some of its responsibilities to its Committees. Each Committee reviews its own performance, constitution, and terms of reference to ensure it is operating at maximum effectiveness. The outcome of the reviews along with an action plan is reported to the Board, and amendments to the Committees’ terms of reference are recommended to the Board where necessary.

Given the recent changes to the Company’s direction and the plans to develop London Market business, the Board holds meetings as necessary to refine and develop the strategy to achieve these aims. This includes development of financial plans, which are subsequently formulated into budgets and subject to formal consideration and approval.

The organisation structure is regularly reviewed as part of the review of the Management Responsibilities Map which sets out a list of the Company’s key functions, a summary of the significant responsibilities allocated to the individuals who are responsible for those functions, and the reporting lines of each of those individuals.

The Company has identified the following as its key functions:

- Risk Management Function
- Compliance Function
- Internal Audit Function



- Actuarial Function
- Operations Function
- Claims Function
- Reinsurance Function
- Underwriting Function
- Finance Function
- Investment Management Function
- Japanese Interests Abroad² Marketing Function
- Human Resources Function

The key functions regularly report their activities to the Board and its Committees. The Risk and Capital Committee reviews the remit of the Risk Management, Actuarial, and Compliance functions, and the Audit Committee reviews that of the Internal Audit function. The Risk and Capital Committee and Audit Committee arrange private sessions between those functions and the non-executive directors to ensure any concerns or issues are raised and discussed without the presence of the executive directors as necessary.

The Risk and Capital Committee regularly reviews the effectiveness of the Risk Management and Compliance functions, and the Audit Committee regularly reviews that of the Internal Audit function.

Any material changes in the system of governance that have taken place over the reporting period

There have been no material changes to the system of governance during the reporting period.

Remuneration Governance

The Company has a Remuneration and Nomination Committee which reports to the Board. The membership is composed exclusively of non-executive directors. The scope of the Remuneration and Nomination Committee is set out in the 'Structure of the administrative, management and supervisory body' section above. The Company has a Remuneration Policy which is reviewed every two years. Significant changes to the Remuneration Policy are reviewed and approved by the Remuneration and Nomination Committee and presented to the Board.

Remuneration Policy

Policy and practices

The Company's remuneration policy is intended to ensure there are appropriate policies, procedures and practices in place which articulate a reward framework that:

- is aligned to the long-term business strategy, business objectives, and risk appetite,
- has appropriate linkage to the Company's performance and individuals' performance,
- is compliant with relevant PRA and FCA regulation or guidelines,
- supports the Company's aim of attracting, retaining and motivating its employees,
- is affordable considering the Company's overall performance and plans, and
- sets a consistent approach across the organisation

Any divergence from the policy must be supported by clear rationale and approved accordingly by the responsible executive director and the Remuneration and Nomination Committee.

All proposals for remuneration of executive directors and senior individuals paid over a set amount defined in the Remuneration and Nomination Committee's Terms of Reference (including but not limited to payments on appointment, salary increases, promotions, and termination packages) are referred to and approved by the Committee prior to implementation.

² Japanese Interests Abroad refers to business undertaken for the Company's Japanese clients. It is abbreviated to JIA.



Principles

The Company's remuneration policy is comprised of fixed, variable and long-term incentive pay components as described below:

Fixed Pay

Fixed Pay is primarily determined by pricing roles relative to the local employment market and is supported by independent bench-marking market data. Increases are not automatic and changes to fixed pay consider a range of factors including external and internal relativities and the demand for the skills and experience necessary to perform the role, as well as taking into account the individual's performance.

Fixed pay is comprised of base salary and benefits, including eligibility to participate in the Company's defined contribution pension scheme.

Variable Pay

Variable Pay refers to all cash awards which are made over and above fixed pay to recognise discretionary effort and performance against the achievement of goals and targets. Other than in exceptional circumstances (such as part of an approved recruitment package) variable pay is not guaranteed.

a) Discretionary Bonus

A discretionary bonus is allocated to reward performance during the previous calendar year. All employees are eligible to be considered for a discretionary bonus award; however, awards are not necessarily granted to all employees and not all employees will be awarded a discretionary bonus every year. Awards are linked to overall performance ratings determined under the performance management process and are geared to rewarding higher performance with higher rewards.

b) Executive/Senior Manager Discretionary Bonus Schemes

Executive directors and relevant senior managers participate in bonus schemes where bonuses are limited within ranges and can include deferral provisions. These schemes are designed to reward performance during the previous calendar year, promote sound and effective risk management, and discourage excessive risk taking.

Long-term Incentive Plan ("LTIP")

a) Annual Discretionary LTIP awards

An annual discretionary LTIP award is granted to eligible executive directors and executive committee members which is then vested for three years. The award grant is within limited ranges. The ranges are in place to promote sound and effective risk management and to discourage excessive risk taking. Any LTIP payment made at the end of the vesting period is determined by reference to the LTIP performance conditions and approved by the Remuneration and Nomination Committee. Claw-back provisions are also in place.

b) Other retention awards

Other retention awards are created on a needs basis to support major projects or to retain highly valued staff. They are used in limited circumstances.

Performance Criteria

The performance management process is based on the goals for the business set by the Board in the Company's short and longer-term business plans, and cascades these from the management to individual members of staff to align them with and give them clear visibility of the high-level plans. Specific goals and targets are determined by reference to a range of factors including financial, conduct and values, customer focus, processes, and interaction with colleagues.

Pension and early retirement schemes

The Company operates a defined contribution pension scheme with all employees eligible to receive a fixed contribution from the Company. Employees have access to an on-line portal which allows them to:

- choose from a variety of funds;
- carry out online risk profiling; and
- perform pension modelling and review fund management details.



Employees can make additional voluntary contributions by salary sacrifice, subject to statutory limits.

Material Transactions

There were no material transactions during the reporting period with shareholders or with persons who exercise a significant influence over the Company.

B.2 Fit and proper requirements

Skills, Knowledge and Expertise

All individuals who run the Company and its key functions must satisfy the requirements of the Company's Fit and Proper policy, which is based on regulatory requirements. To be fit for any given role, they must have the relevant qualifications and have undergone all training required to enable them to perform the key function effectively in accordance with any relevant regulatory requirements, and to enable them to contribute to the sound and prudent management of the Company.

Assessment of Fitness and Propriety

The Company has a policy which sets out its procedures to ensure all those who effectively run the Company are, and remain, fit and proper to: a) perform their function effectively in accordance with any relevant regulatory requirements, and b) contribute to the sound and prudent management of the Company. The holders of Senior Management Functions (SMFs) and Certification Functions (CFs), including those identified as Material Risk Takers and Key Function Holders, and the notified non-executive directors are classified as those who effectively run the Company. In order to meet fit and proper requirements each of these individuals must satisfy the following criteria:

- 1) they must have suitable personal characteristics (including being of good repute and integrity),
- 2) they must possess the appropriate level of competence, knowledge and experience,
- 3) they must have the requisite qualifications,
- 4) they must have undergone or be undergoing all training required to enable such person to perform their key function effectively in accordance with any relevant regulatory requirements and contribute to the sound and prudent management of the Company, and
- 5) they must comply with Conduct standards and rules.

All regulated roles are set out in the Company's Management Responsibilities Map, which is reviewed as and when required, and at a minimum on a quarterly basis. These roles are reviewed and reported annually to the Remuneration and Nomination Committee and Board of Directors. In order to enable individuals performing the above roles to be able to demonstrate that they are and remain "Fit and Proper", the following procedures apply:

Initial assessment

Recruitment is subject to a screening process undertaken by an independent screening agent including but not limited to:

- Verification of CV
- Verification and review of professional qualifications for the last six years
- Review of criminal record
- Review of financial records
- Confirmation of eligibility to work in the United Kingdom
- Assessment of personal characteristics and past business conduct, such assessment to include taking of references from the individual's current and previous employers for the last six years
- Competency assessment and skills gap analysis
- Review of training needs

Candidates for these roles are assessed by way of a structured selection process. Structured interview questions are available to support the process.

Ongoing Assessment

Employees are managed on an ongoing basis via the Company's Performance Management process. Annual Fit and Proper declarations are signed by individuals performing Senior Management Functions or Certification



Functions and by non-executive directors. These declarations include confirmation that no breach of regulatory conduct standards or financial mismanagement or criminal activity has taken place within the last year.

B.3 Risk management system including the own risk and solvency assessment

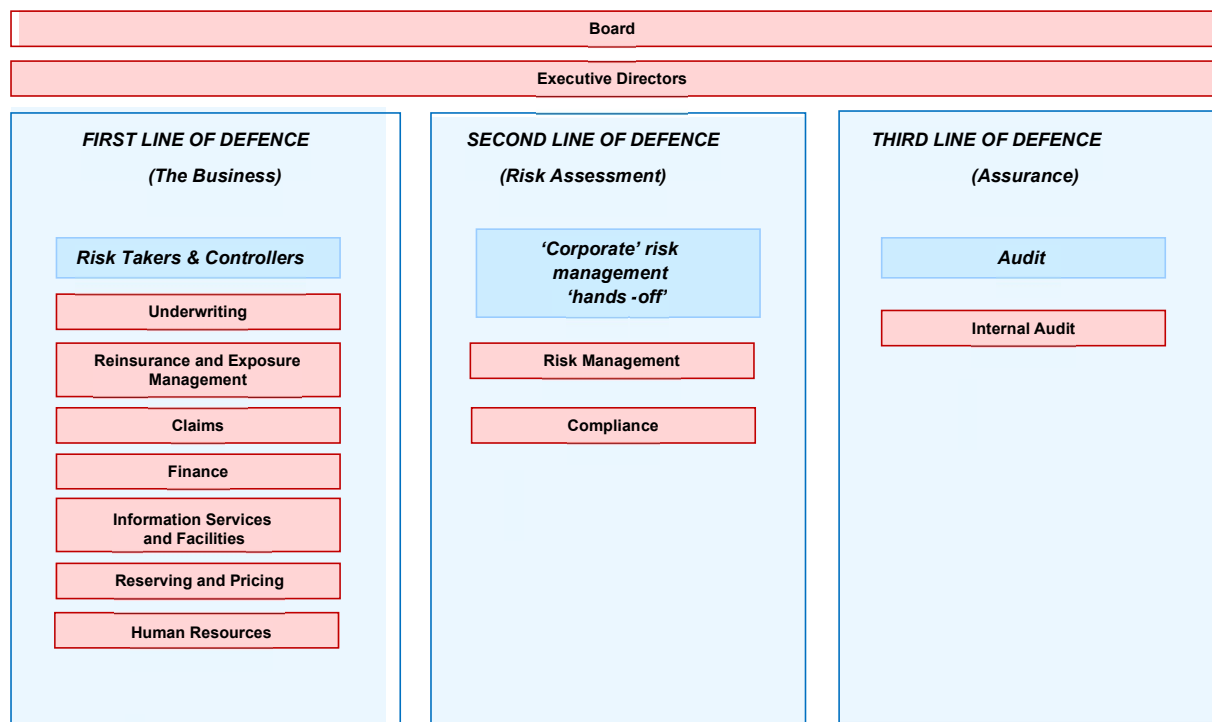
Risk Management System

The Company's Board is ultimately responsible for managing the risks facing the business. The Board sets relevant risk appetites and tolerances, and approves the Company's overarching risk strategy.

The Company's risk management system is set out in the Risk Management Framework, which includes individual risk policies relating to specific risk categories.

The Board has delegated oversight of the Risk Management Framework to the Risk and Capital Committee. Beneath that, the oversight of individual risk categories has been delegated to the Company's management committees.

The Company uses the "three lines of defence" governance model as illustrated by the chart below:



Each line of defence is defined as follows:

- **First Line of Defence**

The First Line of Defence consists of a wide range of individuals in various business functions, who are accountable to own and manage risks as part of their day-to-day roles. They are the risk takers and are responsible for identifying, assessing, owning and managing the risk on a day-to-day. First line conducts regular risk and control self-assessments.

- **Second Line of Defence**

The Second Line of Defence facilitates, challenges and monitors the implementation of effective risk management and regulatory compliance across the business; also supporting the risk owners to define target risk exposure and report risk related information to key stakeholders. Acting as the second line, the Risk and Compliance Functions facilitate the ability of the first line to take the appropriate level of risk and effectively manage the exposures the company faces as a result. These functions do not directly commit the company to taking any risk.



- **Third Line of Defence**

The Internal Audit function provides independent assurance to the Board and Audit Committee on how effectively the organisation (both first and second Line) assesses and manages its risks.

The Risk Function works closely with the Compliance and Internal Audit Functions to share insights and views into risk and control issues across the organisation. This enables a co-ordinated approach to Second and Third Line responses to MSIG UK's risk exposures.

Risk Reporting

The Company's risk register is the central repository of core risks and holds data regarding the company's risk profile. The Risk Register can be found in the Governance, Risk and Compliance ("GRC") system. The register contains the risks, controls and assessment data.

Each risk includes a description of the risk, risk owner, key controls and the gross and residual risk rating which is based on the combination of an impact and likelihood rating. All risks are categorised in line with the Risk Policy categories and are assessed qualitatively and quantitatively where possible.

Risk owners assess the risks in their area of responsibility and the results are recorded in the Risk Register, including discussions regarding emerging risks and risk event considerations.

The Risk Function produces a quarterly Risk Report, which is designed to provide the Board and the Risk and Capital Committee with an overview of any issues regarding the risk profile of the Company. The Risk Management Function also provides reports to the Committees on the following matters:

- Actual performance compared to the risk appetites set by the Board.
- Risk events and issues arising.
- Emerging risks which could affect the Company's business in the future.
- Actions arising and the progress made in completing the actions.

The Finance, Underwriting, Claims, Reinsurance, HR and Operations Functions also provide reports to the Board, Finance Committee, and Underwriting and Claims Committee, and Risk and Capital Committee as appropriate. These reports include key performance indicators and key risk indicators, and details of any issues arising.

Own Risk and Solvency Assessment ("ORSA")

The Risk and Capital Committee, through delegated authority from the Board, supports and oversees the development and maintenance of the ORSA policy, process and report. The ORSA Policy and ORSA Report are approved by the Board.

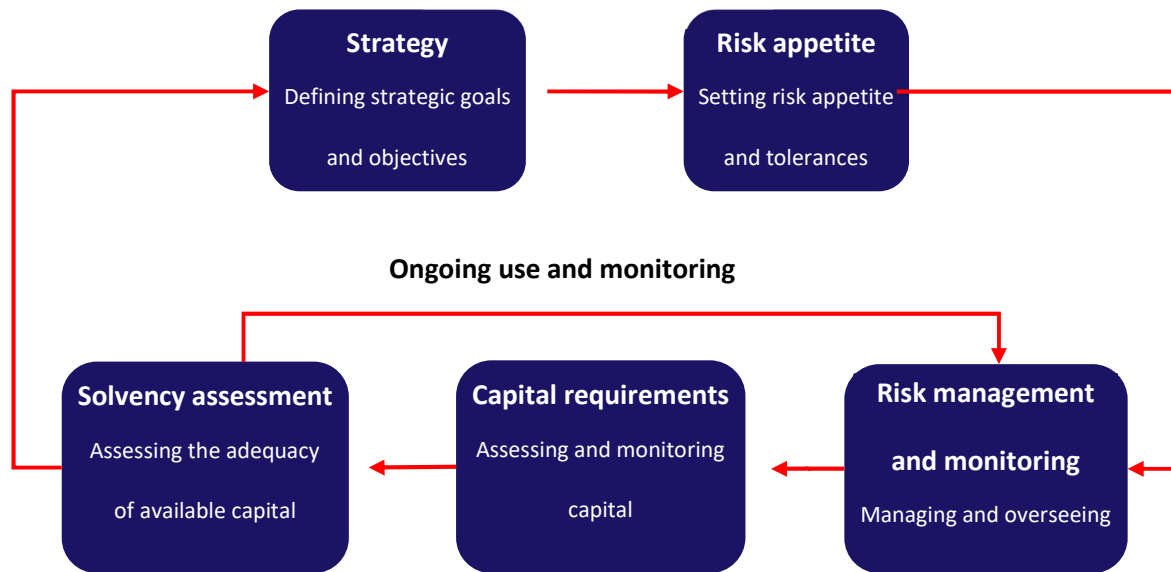
The ORSA process is a continuous process that takes place throughout the year with the aim of informing management decisions with formal analyses of the risk and capital implications of management decisions. A full ORSA Report is produced at least once a year summarising the implications of all key decisions made during the year and incorporating the updated business plan. This is submitted to the PRA in accordance with regulatory requirements. Intermediate ORSA Reports are produced if capital adequacy is affected by a material event or if there is a material change in the Company's risk profile that has not already been adequately accounted for in the Strategy or Risk Appetite setting process. The ORSA Policy provides a basis for strategy setting for the next year and consideration of future risks and capital requirements.

Certain components of the ORSA process are run throughout the year for the Board's use in decision making to ensure the Company's risk profile, capital adequacy and solvency position are appropriately monitored, understood and remain within agreed parameters. For example, the Quarterly Risk Report is a key component of the ORSA Report. Other components are generally only run once a year. For example, the full recalculation of the Solvency Capital Requirement is generally performed annually.

The chart below shows the ORSA Process and how this is integrated into the decision making of the Company. The individual components of the ORSA process and report are shown as blue boxes which are linked by continuous red arrows.



ORSA Process



Solvency needs

The Company uses the Solvency UK Standard Formula to calculate the Solvency Capital Requirement (“SCR”) for all risk modules and does not have a partial or full internal model. The Company does not apply any undertaking specific parameters in the calculation the SCR.

The capital management activities and risk management system interact through:

- i) the calibration and regular reporting of risk appetites by reference to the SCR (e.g. Market Risk must give rise to capital requirement of no more than a defined percentage of the total SCR).
- ii) regular reporting indicating the amount of the total SCR arising from each risk category.
- iii) assessment of the capital implications of underwriting new classes of business or changes to strategy by reference to the effect on the SCR calculated using the Standard Formula.

B.4 Internal control system

The internal control system comprises strategies, policies, processes and procedures, backed by systematic measures (including reviews, audits and checks) to:

- conduct the Company’s business in an orderly and efficient manner,
- safeguard its assets and resources,
- deter and detect errors, fraud and theft,
- ensure the accuracy and completeness of its data,
- produce reliable and timely financial and management information, and
- ensure adherence to relevant laws and regulations.

The internal control system is summarised in the Internal Control Policy which has five components as described below:

i) Control environment

The control environment sets the general principles of the Company’s approach to internal control. Control environment factors include:

- Holding appropriate ethical values
- Board direction on the importance of internal control
- Management philosophy emphasising the importance of internal control
- Clear assignment of responsibility
- Maintaining secure and accurate information
- Emphasising the importance of staff integrity



- Emphasising the importance of staff competency
- Emphasising the importance of staff development

ii) Identification and evaluation of risks and controls

Risk assessment requires the identification and evaluation of relevant risks to the achievement of the Company's objectives to form the basis for determining how these risks should be managed. Because economic, industry, regulatory and operating conditions continually change, the Company employs the following mechanisms to identify and deal with the emergence of new risks arising from these changes:

- Production of the quarterly Risk Report to provide the Board and the Risk and Capital Committee with an overview of issues arising
- Review of actual performance compared to the risk appetites set by the Board
- Maintenance of an Events and Issues log and setting of required actions
- Review of emerging risks and setting of required actions
- Periodic reviews of the terms of reference and constitution of the Board Committees
- Periodic review of the activities of the Board Committees
- Regular assessment of "Key Documents" (as defined below)

iii) Control activities

(a) Main Control Activities

Each function is responsible for ensuring it has in place appropriate strategies, policies, procedures and terms of reference and where necessary ensuring these are peer reviewed and approved as appropriate by the Board, a Board Committee, or a business function.

The main control activities are those actions undertaken by each function. They include:

- Approval of individual actions (e.g. payment release, reinsurance purchasing),
- Authorisations (e.g. setting of underwriting authorities and claim settlement authorities),
- Verifications (e.g. peer reviews and independent reviews),
- Reconciliations (e.g. reconciliation of data from the underwriting system to the financial ledger),
- Contingency planning (including adequate disaster recovery capabilities),
- Reviews (e.g. internal audits and reviews of compliance with regulation and relevant legislation),
- Segregation of duties,
- Monitoring against risk appetite statements, and
- Monitoring of key performance indicators and key risk indicators.

(b) Day-to-day decisions

As well as following formal policies and procedures, control activities include the day-to-day making of informed decisions by appropriately qualified and experienced personnel to:

- Accept risk,
- Transfer risk to third parties,
- Share risk with third parties, and
- Withdraw from unacceptable risks.

iv) Information processes

Relevant information is identified, captured and secured in a form and timeframe that enables staff to carry out their responsibilities effectively. The systems for recording and processing data (being primarily the underwriting system and financial ledger) are restricted to authorised personnel by use of passwords and user IDs. The systems themselves are also protected from external interference by firewalls and other appropriate technologies that prevent unauthorised in-bound traffic from external sources. In this way the systems are completely segregated from the wider internet.

As part of strengthening the information security controls, the company has controls to:

- manage End User Computing ("EUC"),
- manage third party risk exposure, and



- adopt the National Institute of Standards and Technology (“NIST”) cybersecurity framework.

v) Monitoring effectiveness

As described in Section B3 (“Risk management system including the own risk and solvency assessment”) the Compliance and Risk Management Functions form part of the “second line of defence” and the Internal Audit Function forms part of the “third line of defence” within the Company’s governance model. In fulfilling these roles these functions monitor the management and supervision of the Company’s activities and the actions of staff in performing their duties in relation to internal control. Reports of their findings are made to the relevant oversight Committees, with serious matters escalated to the Executive Directors or Board as appropriate.

The Compliance Function

The Compliance Function is independent of all other day-to-day business operations enabling it to fulfil its role within the “Second Line of Defence” and is headed by the Chief Risk Officer. The independence of the Chief Risk Officer is reinforced by a direct reporting line to the Chief Executive Officer. The independence of the Compliance Function is further reinforced by limiting its scope to purely compliance related activities. Similarly, although a member of the Executive Committee, the Chief Risk Officer does not take any part in any of the other day-to-day business operations.

The Chief Risk Officer is an active member of the Risk and Capital Committee, Reserving Committee and Finance Committee, and also regularly attends Board and Audit Committee meetings to assist in the performance of their role and gain full visibility of the Company’s activities. The Compliance Function has access to all staff and information necessary for it to fulfil its responsibilities.

B.5 Internal audit function

The Company’s Internal Audit Function was provided throughout 2025 by its sister company, MSIG Corporate Services (Europe) Limited (“MSIGCS”). This outsourcing model has been in place for a number of years and enhances the independence and objectivity of the function, as Internal Auditors have no operational or decision-making responsibilities within the Company.

The Chief Internal Auditor reports functionally to the Company’s Audit Committee and administratively to the Chief Executive Officer of MSIGCS. The Chief Internal Auditor appoints suitably qualified and experienced Internal Auditors to deliver the approved audit plan.

The Internal Audit Function reports directly and formally to the Audit Committee. Audit reports are distributed to members of the Audit Committee and made available to the Chief Executive Officer and other Executive Directors, the Risk Management Function, the Compliance Function, the External Auditors, and relevant senior management, including MSIJ’s Internal Audit Function. The Chair of the Audit Committee meets the Chief Internal Auditor quarterly and provision is made for the Audit Committee to hold private sessions with the Chief Internal Auditor without management present.

To achieve the degree of independence necessary to effectively discharge its responsibilities, the Internal Audit Function has direct and unrestricted access to all records, personnel, property, and systems relevant to the performance of its engagements, as well as direct access to senior management and the Board.

Independence and Objectivity

Independence is the freedom from conditions that threaten the ability of the Internal Audit Function to carry out its responsibilities in an unbiased manner. Objectivity is an impartial and unbiased mental attitude that allows Internal Auditors to perform engagements in such a manner that they believe in their work product and do not compromise quality. Internal Auditors must not subordinate their professional judgment to others.

Aligned with the IIA Global Internal Audit Standards, the Internal Audit Function safeguards its independence and objectivity at the individual auditor, engagement, functional and organisational levels. This includes the identification, management, and disclosure of actual, potential, and perceived impairments to objectivity.

The Internal Audit Function is independent of the activities it audits. Internal Auditors do not have operational or decision-making responsibilities within the Company. The provision of Internal Audit services by a sister company further enhances independence, as auditors have no operational responsibilities within the Company.



All Internal Audit personnel are required to maintain professional objectivity, avoid conflicts of interest, and refrain from accepting any gift, hospitality, or favour that may impair or be presumed to impair their objectivity. Auditors are required to disclose any circumstances that may impair, or appear to impair, their objectivity. Such impairments are assessed by the Chief Internal Auditor, and where necessary, are disclosed to senior management and the Audit Committee, with appropriate mitigating actions agreed.

Internal Auditors are not permitted to provide assurance services over activities for which they had responsibility within the previous 12 months. Where advisory services have previously been provided, safeguards are applied to ensure objectivity is not impaired. Where required, engagements may be reassigned, rescheduled, scoped differently, or overseen by an independent party.

If an impairment to independence or objectivity is identified, whether before or after an engagement, the matter is escalated appropriately, and corrective action is taken to protect the reliability of Internal Audit's work.

The Chief Internal Auditor reports functionally to the Audit Committee. Compensation arrangements are structured to avoid conflicts of interest and are subject to appropriate governance and oversight.

The effectiveness of the safeguards supporting Internal Audit's independence and objectivity is assessed at least annually.

B.6 Actuarial function

The Company's Actuarial Function comprised the Chief Actuary and the Senior Actuary. The Chief Actuary is the Actuarial Function Holder. The Function has a range of experience across reserving, capital, pricing, reinsurance and risk management. The Actuarial Function has been supported by actuarial staff from MS ABS and external advisers as appropriate. Various committees, under their terms of references, are empowered to engage external advisers and other support to aid or review the work of the Actuarial Function. The key areas of external support are as follows:

- Forvis Mazars LLP provide an independent actuarial opinion on the UK GAAP claim reserves each year.
- Aon Benfield perform the catastrophe modelling calculations for the EU Natural Catastrophe and Property Man made Fire Catastrophe Risk elements of the Standard Formula SCR calculations

The main tasks performed by the Actuarial Function were:

- Reserving (calculation of UK GAAP claim reserves and Solvency II Technical Provisions)
- Capital Modelling (co-ordination of the Standard Formula calculations)
- Analysis of outputs from the Standard Formula calculation
- Quantitative support for business planning (in particular calculation of claim ratios and capital requirements)

Conflicts of interest are addressed through clear governance structures for material tasks, reporting, separation of duties, professional requirements, internal reviews, and audit (both internal and external). The Chief Actuary reported to the Chief Financial Officer whilst the Senior Actuary reported to the Chief Actuary.

The Company's Actuarial Function is subject to the Company's Fit and Proper policy which ensures that senior staff and function holders have skills appropriate to their roles.

The composition and strength of the Actuarial Function with reference to regulatory guidance and best market practice is subject to continuous review.

B.7 Third Party Risk Management (Outsourcing)

The Company's third party risk management is controlled by Third Party Outsourcing and Procurement Policies and a set of documented policies and processes covering Delegated Underwriting Authorities ("DUAs"). Whilst the DUA policies and processes cover the delegation of specific insurance and reinsurance activities, the third party outsourcing and procurement policies apply to specific non-underwriting business processing and support activities performed by a third party under contract.

The documented policies and processes covering Third Party Outsourcing and Procurement and DUAs (referred to below as the documents) are intended to ensure an effective system of governance over the Company's outsourcing arrangements to mitigate third party risk exposure. They form part of the sound and prudent management of the Company's business and reflect the significance of outsourcing important services, ensuring



the services received will meet or exceed the required standards. The policies and associated control framework mitigate exposure to third party risk in compliance with latest regulatory requirements. The documents clearly set out the tasks to be performed and by whom and the processes and procedures to be applied both prior to entering into an outsourcing agreement and during its lifetime.

In line with current regulatory requirements, the following areas are covered in respect of outsourcing arrangements:

i) Defining outsourcing categories and service providers: The documents require outsourcing of operational services to be tiered, reflecting the criticality and materiality of the arrangement. The tiering methodology sets the criteria used for this purpose. A risk-based approach is then adopted with greater focus on critical and material outsourcing.

ii) Definition of responsibilities: The documents set out the responsibilities of each person and Committee in the management of outsourcing arrangements.

Delegated underwriting authorities are additionally subject to oversight by the Delegated Underwriting Authority Working Group under the terms of reference approved by the Underwriting and Claims Committee.

iii) Selection and authorisation procedures for a service provider:

a) Selection

The documents set out the requirements for selection of a service provider of suitable quality. They include analysis of the potential impacts on the business of the proposed outsourcing arrangement and list the commercial and operational issues that are to be considered. Through tiering, the scope of the due diligence to be undertaken is determined.

b) Authorisation and reporting

The documents set out the authorisation and reporting requirements for service providers in each outsourcing category. All critical outsourcing must be approved by the Board.

iv) Contract terms: The documents set out the terms (reflecting the materiality of any agreement) to be included in outsourcing arrangements. These terms include protection of the Company's rights and provision for agreed service level protocols. The documents also require all contracts regardless of the category to include terms giving the Company the right to terminate the contract with a reasonable period of notice if the services provided should prove inadequate. They also require all contracts to provide that the service provider may only terminate the contract with a notice period sufficiently long to enable the Company to find an alternative solution.

v) Monitoring and Review: The documents define the frequency, scope and reporting requirements for monitoring and reviewing of outsourcing contracts. The approach to monitoring and review is dependent upon the categorisation of the contract.

vi) Contracts database: Following agreement with the supplier, all outsourcing contracts are recorded in central contract databases which include their expected expiry dates. The databases also hold copies of the executed legal agreements and any supporting documentation.

Location of outsourcing providers

The jurisdiction of all of the Company's operational outsourcing providers is the UK. The jurisdiction of all of the Company's insurance and reinsurance outsourcing providers is the UK, USA and Netherlands. The Company has three insurance outsourcing providers with delegated underwriting authorities based in the USA and one in the Netherlands.

B.8 Any other information

The Company has no other material information to report regarding its system of governance.



C. Risk Profile

C.1 Underwriting risk

Underwriting risk is the risk of loss arising from the insurer's insurance obligations. It reflects uncertainty in claims, premiums, and reserves.

Components

- **Premium Risk** – the risk that future claims and expenses exceed the premiums charged.
- **Reserve Risk** – the risk that existing technical provisions are insufficient to meet actual claims.
- **Catastrophe Risk** – exposure to extreme or exceptional events (e.g., windstorm, flood, earthquake, large liability events).
- **Lapse Risk** – risk of financial loss due to unexpected policy cancellations, renewals, or surrenders.

Underwriting and loss experience is reviewed regularly for loss trends, emerging exposures, changes in the regulatory or legal environment as well as the efficacy of policy terms and conditions.

The Company relies heavily on reinsurance protection which mitigates both premium and reserve risk. Therefore, when claims are paid to policyholders a significant proportion of these claims can be recovered from reinsurers. Facultative reinsurance protection is specific and is purchased for individual policies. Treaty reinsurance is purchased to protect all policies within a line of business.

If a risk is not deemed appropriate for the Company's risk profile, consideration is given to whether a significant proportion of the risk can be ceded to reinsurers, and in particular to MSIJ. In so doing, consideration is also given to the reinsurance commission which might be available to the Company for such cessions.

Property and marine cargo losses arising from man-made catastrophes, natural catastrophes and large fire losses are the main drivers of premium risk. The Company has exposure to losses arising from catastrophes around the world notably in Europe, South-East Asia and the United States. The Company writes worldwide contingent business interruption insurance for certain major clients and this creates the principal exposure to catastrophes in South-East Asia. Contingent business interruption arises where an event (e.g. natural catastrophe or fire) leads to a manufacturer in the location affected by the event being unable to supply a manufacturer in another location.

The Company also writes long-tail Liability business where claims may be reported and settled many years after the business was underwritten. This exposure is the main driver of reserve risk, being the risk of adverse claims development from business already underwritten. In particular, the Company writes Employers Liability business which includes exposure to industrial disease claims. Industrial disease claims can arise if the employees of an insured party, such as a manufacturer, suffer from a disease arising as a result of their employment by the insured party. Some diseases can take over twenty years to manifest themselves and therefore the delay in claims being reported to the insurer can be lengthy. The Company includes explicit reserves for industrial disease claims in the Technical Provisions.

The Company has exposure to cyber risk. This arises from both affirmative cover but also silent exposures which are harder to identify and quantify. The Company's cyber risk exposure is mitigated through the use of annual aggregate limits for individual policies, various exclusions, and reinsurance. Notwithstanding this, the Company recognises that this is an evolving risk and continues to monitor market developments and best practice, and aims to reduce both affirmative and silent exposures by way of specific exclusions where practicable.

The Company receives significant reinsurance commissions from business written to service MSIJ's clients' global requirements. The amount of reinsurance commission income available to the Company is dependent on these global negotiations and therefore not entirely within its control.

The retained underwriting risk is managed through the monitoring of known and potential future geographical accumulations, catastrophe modelling performed by the Company's reinsurance broker, and monitoring of retained exposures against risk appetites.



Assessment of Underwriting Risk

The following measures are used to assess underwriting risk:

- The SCR for underwriting risk is calculated using the Standard Formula.
- The Company's exposure to European natural catastrophes is modelled each year.
- Risk appetite statements and tolerances are set and actual performance monitored against these statements.
- The Company's risk register considers underwriting risk and the associated controls used to mitigate this risk. The risks and key controls are assessed and reviewed with the Risk Management Function every quarter.
- The Actuarial Function estimates claim reserves calculated under UK GAAP each quarter and Technical Provisions calculated under Solvency II regulations each half-year. Draft estimates are discussed with Executive Directors and senior Underwriting, Claims, and Finance staff for the purposes of providing and gaining feedback. The proposed UK GAAP claim reserves and Solvency II Technical Provisions are reviewed by the Reserving Committee prior to recommendation to and approval by the Board.
- Underwriting risk is assessed through consideration of various sensitivity tests and stress tests applied to each of the key areas of uncertainty.

Stress and Scenario Analysis

The Company performs stress tests which consider the impact of catastrophes and pandemics, total policy limit losses on large individual risks, business plan loss ratio inadequacy, and reserve inadequacy. Certain scenarios combine the impact of major catastrophe events or total policy limit losses on individual risks with a dispute with or default of the largest reinsurer outside the MS&AD group.

The conclusion of the stress and scenario analysis is that the Company's reinsurance programme significantly mitigates underwriting risk. Therefore, the greatest impact would be if the reinsurance programme were to fail. The risk of reinsurer failure would be more likely to arise from multiple significant market events adversely impacting many reinsurers, rather than an individual reinsurer failing from one event, and is therefore considered remote. It is more likely that the inability to make reinsurance recoveries would arise from a reinsurance dispute rather than a reinsurer failure.

Given the Company's key controls in place to mitigate reinsurer risk, including the requirement for reinsurers to have strong (A- or above) credit ratings, the conclusion of the stress and scenario analysis is that the company's reinsurance programme significantly and adequately mitigates its risks.

C.2 Market risk

Market risk is the risk of loss arising from movements in financial markets that affect the value of assets or liabilities.

Components

- **Interest Rate Risk** – sensitivity to changes in the yield curve.
- **Equity Risk** – exposure to changes in equity prices.
- **Spread Risk** – risk of widening credit spreads on bonds or other credit-sensitive assets.
- **Currency Risk** – risk of adverse movements in foreign exchange rates.
- **Property Risk** – exposure to changes in the value of property investments.
- **Concentration Risk** – excessive exposure to a single issuer, sector, or asset class.

From the first quarter of 2020 the Company began investing in a fund regulated under the Undertakings for the Collective Investment in Transferable Securities ("UCITS") regulatory framework with exposure to market risk to achieve a marginal increase in yield. The fund has experienced volatility during the bouts of market turbulence caused by the Covid-19 pandemic, the Russian invasion of Ukraine, and the changes in central bank base rates.

Holdings in corporate bonds comprise only bank Commercial Paper with a term of no more than one year which is held to maturity. As such, they are valued at amortised cost, and unlike other types of corporate or government bonds, their value is not prone to fluctuate due to movements in the wider bond markets. Similarly



holdings in money market funds, bank term deposits and operational cash balances, are not prone to fluctuation in value due to developments in wider investment markets.

The Company mitigates market risk by:

- setting limits on the maximum amount that can be invested in assets with exposure to market risk by reference to their volatility,
- imposing minimum credit quality requirements on investment asset classes and on the portfolio as a whole, and
- setting limits on the amount that can be invested with any one counterparty across all types of investment such as:
 - the amount invested with any one counterparty cannot exceed a set percentage of the total value of investment assets, and
 - the combined amount invested with counterparties individually holding more than a set percentage of the total value of investment assets cannot exceed a set percentage of the total value of investment assets.

The Company regularly monitors the foreign exchange market risk arising from differences in the value of its foreign currency assets and liabilities. Where differences are detected in excess of the tolerances set in the associated risk appetite, they are reduced by executing the necessary foreign exchange trades.

The Company's investment assets have been invested in accordance with the 'prudent person principle' set out in Article 132 of Directive 2009/138/EC.

Assessment of Market Risk

The following measures are used to assess market risk:

- The SCR for market risk is calculated using the Standard Formula.
- Risk appetite statements and tolerances are set and actual performance and developments are compared to these statements.
- The Company's risk register considers market risk and the associated controls used to mitigate this risk. The risks and key controls are assessed and reviewed with the Risk Management Function each quarter.

Stress and Scenario Analysis

The Company considers stress tests which include:

- i) combine the impact of the widening of credit spreads (Market Risk) and the failure of the largest investment counterparty (Credit Risk)
- ii) apply the downside volatility experienced by the UCITS fund following the outbreak of the Covid-19 pandemic to the value of the holding in the fund at the time of the test, and
- iii) assume a global systemic economic crisis leading to a contraction in the insurance market combined with a significant increase in claims and the default of investment counterparties combined with a significant reduction in asset values.

C.3 Credit risk

Credit risk is the risk of loss due to the unexpected default or deterioration in creditworthiness of counterparties.

Components

- **Reinsurers** - risk of non-payment of claims.
- **Brokers and Intermediaries** – risk of non-payment of premiums collected.
- **Investment Counterparties** – banks, bond issuers, and money market funds.

The Company relies heavily on reinsurance. The majority of the premium paid by insured parties to the Company is paid to reinsurers. Consequently, the Company can recover the majority of the claims it pays to insured parties from its reinsurers. The Company is thereby exposed to the risk that its reinsurers are either unable to pay due to financial difficulties or are unwilling to pay due to a dispute with the Company. For example, disputes can arise with reinsurers where there is a difference of opinion regarding whether certain types of claims are excluded from the reinsurance contract. A significant proportion of the Company's reinsurance protection is



provided by MSIJ, the Company's parent company, with which the risk of dispute is considered to be less than with other reinsurers.

The Company's investment portfolio and cash holdings comprise:

- Bank term deposits
- Money market funds
- Bank Commercial Paper
- Units in a UCITS fund, and
- Operational cash balances.

Bank term deposits are cash investments held at financial institutions for an agreed rate of interest over a fixed period of time. Money market funds comprise short-term securities which themselves comprise high-quality, liquid debt and monetary instruments. The Company is exposed to risk of default by the counterparty to these investment types as well as to the counterparty banks holding operational cash balances.

The Company is also exposed to risk of default if the issuers of bank Commercial Paper are rendered insolvent and unable to pay amounts due.

The UCITS fund comprises a large number of investment positions in various asset types. The Company is exposed to risk of default by the counterparties to these investment positions.

The Company mitigates credit risk by:

- setting limits on the exposure to individual reinsurers,
- requiring the wording for facultative reinsurance purchased for individual policies to be consistent with the original wording to minimise the potential for dispute,
- imposing minimum credit quality requirements for reinsurers, financial institutions and other investment counterparties for each asset class,
- imposing minimum credit quality requirements on the investment portfolio as a whole, and
- setting limits on the amount that can be invested with any one counterparty across all types of investment such as:
 - the amount invested with any one counterparty cannot exceed a set percentage of the total value of investment assets

The Company's investment assets have been invested in accordance with the 'prudent person principle' set out in article 132 of Directive 2009/138/EC.

Assessment of Credit Risks

The following measures are used to assess credit risk:

- The SCR for Counterparty Default Risk is calculated using the Standard Formula.
- Risk appetite statements and tolerances are set and actual performance and developments are compared to these statements.
- The Company's risk register considers credit risk and the associated controls used to mitigate this risk. The risks and key controls are assessed and reviewed with the Risk Management Function each quarter.
- The Company relies heavily on reinsurance and monitors its exposure on a monthly basis. For each individual reinsurer the estimated premium income, limits, outstanding claims and credit rating are monitored. In addition, the Company has a number of risk appetites regarding its exposure to reinsurers. In particular, the Company monitors its largest exposure to individual reinsurers on single risks. Exposures greater than a set limit are monitored on a monthly basis and are reported at each meeting of the Underwriting and Claims Committee.

Stress and Scenario Analysis

As discussed in section C.1 ("Underwriting Risk") the Company performs stress tests which consider the impact of catastrophe events, losses from large individual risks up to the total limit covered by the policy, higher loss ratios than included in the business plan, and reserve inadequacy. Certain stress tests combine the impact of a catastrophe and/or total policy limit loss with a dispute with or default of the largest reinsurer outside the MS&AD group. A scenario test also considers the effect of investment counterparty defaults.



Given the Company's key controls in place to mitigate credit risk, including the requirement for reinsurers to have strong (A- or above) credit ratings and the credit quality requirements for investment counterparties, the conclusion of the stress and scenario analysis is that the company's credit risk is adequately mitigated.

C.4 Liquidity risk

Liquidity risk is the risk that the insurer cannot meet its financial obligations as they fall due, despite being solvent.

Components

- Large or unexpected claims payments
- Timing mismatches between claims payments and reinsurance recoveries
- Holding illiquid assets

The most significant liquidity risk is that the Company may be required to pay a very large individual claim or a very large amount arising from an event following which claims are payable to multiple insured parties such as a natural catastrophe, and having insufficient liquid assets to do so. As discussed previously the Company relies heavily on reinsurance. Therefore, it is likely that a large proportion of these claim payments would be recoverable from reinsurers.

The Company mitigates liquidity risk by:

- including "cash call clauses" in all reinsurance contracts (with the exception of excess of loss reinsurance contracts) which allow the Company to make recoveries from reinsurers before paying claims to insured parties, and
- maintaining sufficient liquid assets to pay claims.

The liquid assets maintained are greater than the maximum amount payable for a single claim net of reinsurance recoveries other than recoveries due under excess of loss reinsurance.

Assessment of Liquidity Risks

The following measures are used to assess liquidity risk:

- Risk appetite statements and tolerances are set and actual performance and developments are compared to these statements.
- The Company's risk register considers liquidity risk and the associated controls used to mitigate this risk. The risks and key controls are assessed and reviewed with the Risk Management Function each quarter.
- The Company's risk tolerance is that a minimum cash limit is always held in assets that can be realised as cash by the following business day. This risk appetite is monitored on a monthly based and reported to the Finance Committee.

Stress and Scenario Analysis

The Company considers a stress test which would require the greatest use of funds at short notice. This is a single large claim triggering the maximum amount recoverable from the Company's reinsurance programme and that recovery not being received in advance of settlement of the claim.

The result of this scenario is that the liquid assets held would be sufficient to settle the claim prior to receipt of the excess of loss reinsurance recovery.

Expected Profit included in the Future Premium

The expected profit included in the future premium at 31 December 2025 is £6,906k. This is the expected premium less the associated claims and expenses after reinsurance.



The table below shows the expected profit included in the future premium split by line of business and analysed between incepted and unaccepted policies:

Solvency II Line of Business	Total Profit £k	Incepted Profit £k	Unaccepted Profit £k
General Liability Insurance	1,686	1,436	251
Fire and Other Damage to Property Insurance	4,532	2,676	1,856
Marine, Aviation and Transport Insurance	43	27	16
Medical Expenses	168	165	3
Miscellaneous Financial Loss	1	0	1
Credit & Suretyship	476	466	10
Grand Total	6,906	4,769	2,136

C.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events.

Examples of operational risks are:

- IT failures or cyber-attacks
- Fraud or human error
- Outsourcing failures
- Regulatory breaches
- Business continuity events

The Company considers its most material operational risks are key person risk, business disruption, and IT systems failure. The Company employs a relatively small number of staff and is therefore exposed to key person risk. Succession plans have been developed for key individuals to mitigate this risk. The Company has also developed a business continuity plan to mitigate the risk of business disruption and IT systems failure.

Assessment of Operational Risks

The following measures are used to assess Operational Risk:

- SCR for Operational Risk is calculated using the Standard Formula.
- The Company's risk register considers Operational Risk and the associated controls used to mitigate this risk. The risks and key controls are assessed and reviewed with the Risk Management Function each quarter.

Stress and Scenario Analysis

The Company considers the impact of various potential operational risks. These include:

- Inappropriate strategy leading to loss of profit
- Non-compliance with legislation and/or regulation
- Business disruption
- IT failure including failure arising from a cyber attack
- Failure to collect large individual debtors
- Key person risks
- Inappropriate or inadequate governance
- Failure to manage litigation or other legal proceedings effectively
- Ineffective management of outsourcing
- Inadequate exposure management
- Sanctions risk
- Incorrectly ceding a risk or multiple risks to reinsurance treaties leading to a shortfall in the recoveries in the event of a claim.



C.6 Other material risks

The Company is part of the MS&AD Insurance Group Holdings, Inc group and is therefore exposed to group risk. The Company relies on its immediate parent, MSIJ to provide capital and other support to fulfil its strategy. In addition, the Company also receives certain services from MS ACS, including IT services. As a result of these interdependencies, the Company could be adversely affected by the following:

- Withdrawal of support by MSIJ
- Lack of MSIJ strategic planning
- A downgrade of MS&AD's credit ratings
- Contagion from the activities or poor reputation of another MS&AD company

The likelihood of MSIJ withdrawing support from the Company is considered to be very remote and can only be conceived if MSIJ cannot continue to provide support (as opposed to being unwilling to provide support). The Company's Executive Directors maintain close communication with MSIJ to ensure the Company's strategy is aligned to the group strategy. MSIJ's International Department representatives are based in the Company's office to assist in this communication. The Company's management also liaise with MS ACS's management to ensure shared services operate smoothly. The Company and MS ACS have a detailed service level agreement which covers both details of services provided and desired service levels.

Assessment of Group Risk

The following measure is used to assess group risk:

- The Company's risk register considers group risk and the associated controls used to mitigate this risk. The risks and key controls are assessed and reviewed with the Risk Management Function each quarter.

Stress and Scenario Analysis

The Company considers the impact of various potential group risks notably:

- Severe contagion arising from the activities of other MS&AD companies leading to loss of business and profit, and
- Ineffective management of the services provided by MS ACS leading to severe losses.

C.7 Any other information

There is no other material information to report.



D. Valuation for Solvency Purposes

D.1 Assets

Valuation of Assets for Solvency Purposes

Investments (other than assets held for index-linked and unit-linked contracts)

i) Corporate Bonds

All the Corporate Bonds are bank Commercial Paper and have a term of a year or less. They are held to maturity and valued at amortised cost.

ii) Collective Investments Undertakings

Investments in collective investment undertakings comprise investments in money market funds and a UCITS fund held to achieve a marginal increase in yield. The money market funds are valued on a stable net asset value basis as published for each of the individual funds by their managers. They are independently validated and re-priced by the fund manager daily. The published values are taken to be their fair value on the grounds they can be readily realised for this value at short notice. The UCITS fund is valued by reference to a net asset value per unit which is calculated at each daily valuation point by the administrator of the fund. This value is taken to be the fair value of the fund on the grounds that it can be readily realised for this value at short notice.

Partial realisation of the money market funds regularly takes place to meet the Company's operational cash requirements.

iii) Deposits other than Cash Equivalents

Deposits other than cash equivalents comprise term deposits with banks. Their fair value is calculated at cost plus accrued income. Accrued income is calculated on a straight-line basis over the period to which it relates.

Reinsurance recoverables

Reinsurance recoverables represent that portion of the Technical Provisions that are recoverable from reinsurers. The calculation and valuation of these amounts is described in section D.2 ("Technical Provisions").

Insurance and intermediaries receivables

Insurance and intermediaries receivables comprise amounts due to the Company from brokers and clients relating to policies that were more than three months past due at the end of the reporting period. Bad debt provisions are raised against those amounts which are deemed unlikely to be received. These amounts therefore have zero value for solvency purposes. All other amounts are expected to be received in full and hence are reported at fair value which is taken to be the amount due from the brokers and clients. They are expected to be collected within 18 months and hence are not discounted for the time value of money.

Reinsurance receivables

Reinsurance receivables comprise amounts due for settlement to the Company from its reinsurers in connection with reinsurance claim recoveries. Bad debt provisions are raised against amounts due from reinsurers which have ceased trading or which have weak credit ratings or which management believe may experience difficulties in making payment. These amounts therefore have no value for solvency purposes. All other amounts are valued at the amount due from the reinsurers. They are expected to be collected within 12 months and hence are not discounted for the time value of money.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and current bank accounts which are subject to an insignificant risk of change in fair value.

Deferred tax assets

Deferred tax assets are tax amounts recoverable by way of deferred deductions to be made from the taxable profit of future reporting periods.



Differences in valuation of assets under UK GAAP and Solvency UK regulations

The valuation of assets under UK GAAP and Solvency UK regulations is set out in the following table:

UK GAAP description	UK GAAP valuation £k	Reclassification £k	Revaluation £k	Solvency UK £k	Solvency II description
<i>Financial investments</i>					<i>Investments</i>
<i>Debt securities and other fixed income securities</i>					<i>Bonds</i>
1) Corporate bonds	19,820			19,820	Corporate Bonds
2) Holdings in collective investment schemes	92,362	23		92,386	Collective Investments Undertakings
3) Deposits with credit institutions	30,000	1,359		31,359	Deposits other than cash equivalents
Total Financial investments	142,182			143,565	
4) Reinsurers' share of technical provisions	394,596	(121,188)	(107,778)	165,630	Reinsurance recoverables
5) Debtors arising out of direct insurance operations	126,025	(116,883)		9,142	Insurance and intermediaries receivables
6) Debtors arising out of reinsurance operations	17,173			17,173	Reinsurance receivables
7) Other debtors	2,397		(2,397)	-	Receivables (trade, not insurance) + Any other assets, not elsewhere shown
8) Tangible assets	-		-	-	Tangible assets
9) Intangible assets	4,119		(4,119)	-	Intangible assets
10) Cash at bank and in hand	9,313			9,313	Cash and cash equivalents
11) Deferred tax assets	395		(395)	-	Deferred tax assets
12) Deferred acquisition costs	29,950		(29,950)	-	Deferred acquisition costs
13) Other prepayments and accrued income	1,689	(1,383)	(306)	-	Any other assets, not elsewhere shown
	727,839	(238,071)	(144,945)	344,823	

The reasons for the reclassifications and revaluations set out in the table above are as follows:

	Asset	UK GAAP valuation £k	Solvency UK valuation £k	Reason for differences
1)	<i>Corporate bonds</i>	19,820	19,820	All "Corporate Bonds" have a term of one year or less and are held to maturity. They are valued under both Solvency UK regulations and UK GAAP at amortised cost reflecting the Company's intention to collect all associated cashflows up to and including maturity. Amortised cost represents their fair value.
2)	<i>Holdings in collective investment schemes</i>	92,362	92,386	Under both Solvency UK regulations and UK GAAP "Holdings in collective investment schemes" are valued on the net asset values ("NAVs") of each of the individual funds as published by the managers. These holdings include investments in Money Market Funds which are valued on a stable NAV basis. Under Solvency UK regulations accrued investment income and dividends declared but not yet received are added to the valuations. Under UK GAAP accrued investment income is separately classified as "Other prepayments and accrued income" and dividends declared but not yet received are separately classified as "Other debtors". Accrued investment income at 31 December 2025 was £23k. Dividends declared but not yet received at 31 December 2025 were nil.



	Asset	UK GAAP valuation £k	Solvency UK valuation £k	Reason for differences
3)	<i>Deposits with credit institutions</i>	30,000	31,359	Under both Solvency UK regulations and UK GAAP “Deposits with credit institutions” are valued at cost reflecting the Company’s expectation that they will be held to expiry of the deposit term. Under Solvency UK regulations accrued investment income is added to the valuation. Under UK GAAP accrued investment income is separately classified as “Other prepayments and accrued income”. Accrued investment income at 31 December 2025 was £1,359k.
4)	<i>Reinsurers’ share of technical provisions</i>	394,596	165,630	“Reinsurers’ share of Technical Provisions” under UK GAAP is replaced by “Reinsurance recoverables” under Solvency UK regulations. “Reinsurance recoverables” are calculated in accordance with Solvency UK regulations, and take into account both reinsurance premiums payable and reinsurance claims receivable.
5)	<i>Debtors arising out of direct insurance operations</i>	126,025	9,142	Under Solvency UK regulations only those “Debtors arising out of direct insurance operations” that are more than three months past due but nevertheless expected to be received are classified here. Receivables that are less than three months past due or not yet due are included in the calculation of the Technical Provisions. Under UK GAAP all amounts due in connection with inward insurance business and expected to be received are classified here regardless of whether or not they are past due.
6)	<i>Debtors arising out of reinsurance operations</i>	17,173	17,173	“Debtors arising out of reinsurance operations” are valued on the same basis under both Solvency UK regulations and UK GAAP.
7)	<i>Other debtors</i>	2,397	-	“Other debtors” have no realisable value and hence are valued at nil for Solvency purposes.
8)	<i>Tangible assets</i>	-	-	“Tangible assets” have no realisable value and hence are valued at nil for Solvency UK purposes. Under UK GAAP the value of “Tangible assets” is nil.
9)	<i>Intangible assets</i>	4,119	-	“Intangible assets” are not recognised under Solvency UK regulations as they cannot be readily converted to cash for settlement of liabilities, and hence have nil value. Under UK GAAP the value of “Intangible assets” is £4,119k.
10)	<i>Cash at bank and in hand</i>	9,313	9,313	“Cash at bank and in hand” is valued on the same basis under both Solvency UK regulations and UK GAAP.



	Asset	UK GAAP valuation £k	Solvency UK valuation £k	Reason for differences
11)	<i>Deferred tax assets</i>	395	-	The deferred tax asset represents amounts recoverable by way of deferred deductions to be made from the taxable profit of future reporting periods. The amount recognised under Solvency UK regulations is £890k less than the amount under UK GAAP representing the UK corporation tax rate applied to the increase in value of Own Funds under Solvency UK regulations compared to the value of the equity under UK GAAP. This has created a deferred tax liability of £495k on the Solvency UK balance sheet. A deferred tax asset of £1,340k has not been recognised under either Solvency UK regulations or UK GAAP due to the uncertainty as to when it will be necessary or beneficial for the Company to claim the capital allowances to which it relates.
12)	<i>Deferred acquisition costs</i>	29,950	-	“Deferred acquisition costs” are not recognised under Solvency UK regulations as they do not represent future cash inflows to the Company and therefore do not represent resources available to the Company for settlement of liabilities as they fall due.
13)	<i>Other prepayments and accrued income</i>	1,689	-	Under Solvency UK regulations accrued investment income is included in the value of investments. Under UK GAAP it is separately classified in “Other prepayments and accrued income”. Under Solvency UK regulations prepayments and other accrued income have nil value.
	TOTAL	727,839	344,823	

D.2 Technical provisions

The Company’s Technical Provisions have been calculated in accordance with the Technical Provisions section of the PRA Rulebook. The Technical Provisions comprise the best estimate plus the risk margin.

The best estimate is equivalent to the sum of the estimated future cash inflows and cash outflows relating to the run-off of all insurance liabilities (including premiums receivable, and claims and expenses payable) from all the earned business plus business to which the company is legally obliged at 31 December 2025.

The risk margin represents the cost of transferring the obligations to a third party and is calculated by considering the cost of holding capital to support the run-off of the Technical Provisions over their lifetime.

Standard actuarial methods have been used to calculate the best estimate. These include the chain ladder method, Bornhuetter-Ferguson method and the Initial Expected Loss Ratio method. These methods are commonly used in non-life insurance to estimate premium and claim amounts.

The Company does not use the volatility adjustment referred to in Section 8 of the Technical Provisions section of the PRA Rulebook.

The Company does not apply the transitional risk-free interest rate-term structure referred to in Section 10 of the Transitional Measures section of the PRA Rulebook.

Technical Provisions Split by Line of Business



There are no material changes in the methodology and assumptions used to calculate the Technical Provisions as at 31 December 2025 compared to 31 December 2024.

The total net Technical Provisions as at 31 December 2025 are £36,153k comprising a best estimate of £28,484k and a risk margin of £7,669k.

The table below shows the Technical Provisions split between the material lines of business.

Solvency II Line of Business	Gross Best Estimate £k (1)	Reinsurance Recoveries £k (2)	Net Best Estimate £k (3) = (1) + (2)	Risk Margin £k (4)	Technical Provisions £k (5) = (3) + (4)
General Liability Insurance	74,901	(67,628)	7,273	1,938	9,211
Fire and Other Damage to Property Insurance	70,611	(63,626)	6,985	1,861	8,846
Marine, Aviation and Transport Insurance	41,521	(41,173)	348	93	440
Credit & Suretyship Insurance	7,242	6,823	14,066	3,749	17,814
Other	(160)	(27)	(187)	29	(158)
Grand Total	194,114	(165,630)	28,484	7,669	36,153

1. Gross Best Estimate - principally comprises gross claims payable to the Company's insureds less gross premiums payable by insureds to the Company.
2. Reinsurance Recoveries - principally comprises reinsurance claims recoveries from reinsurers (from gross claims payable) less reinsurance premiums payable by the Company to reinsurers.
3. Net Best Estimate = Gross Best Estimate less Reinsurance Recoveries
4. Risk Margin - comprises the cost of transferring the obligations to a third party
5. Technical Provisions = Net Best Estimate plus Risk Margin

As can be seen in the table above each line of business has material reinsurance protection. A significant proportion of this reinsurance protection is provided by the Company's parent company, MSIJ, and other sister companies in the MS&AD Group. Some reinsurance protection is specific and is purchased for individual policies ("facultative reinsurance"). Other reinsurance is purchased to protect all policies within a line of business ("treaty reinsurance"). A significant proportion of the General Liability and Fire and Other Damage to Property reinsurance claim recoveries are anticipated facultative recoveries arising from a small number of large claims. Most of the Marine, Aviation and Transport business written is protected by treaty reinsurance such that a large proportion of the gross claims payable are recoverable from reinsurers.



Changes in Technical Provisions

The table below shows the change in the Solvency UK Technical Provisions during 2025.

Net Technical Provisions (£k)	31 December 2025 £k	31 December 2024 £k	Change
Outstanding Claims	2,582	3,127	(545)
Earned IBNR	7,944	9,238	(1,295)
Claims Reserves - Earned Business	10,526	12,366	(1,840)
Unearned IBNR	4,942	2,314	2,628
Unincepted IBNR	814	386	428
Claims Reserves - Future Business	5,756	2,700	3,055
Premium Debtors	(116,883)	(102,154)	(14,729)
RI Creditors	121,188	118,341	2,847
Net Premium Creditors	4,305	16,187	(11,882)
Unwritten Future Premium	(1,486)	(1,549)	63
Unincepted Future Premium	(2,497)	(682)	(1,815)
Expected Future Premium Payments	322	13,956	(13,634)
Events Not In Data	784	787	(3)
Expenses	12,037	10,679	1,358
Bad Debt Reserve	930	812	118
Total Other	13,751	12,278	1,474
Undiscounted Best Estimate	30,355	41,300	(10,944)
Impact of Discounting	(1,872)	(2,036)	164
Discounted Best Estimate	28,484	39,264	(10,780)
Risk Margin	7,669	8,595	(925)
Net Technical Provisions	36,153	47,858	(11,705)

As shown in the table above the Solvency UK Technical Provisions have decreased by £11,705k over the year from 31 December 2024 to 31 December 2025. This is primarily due to:

- i) the £13,634k decrease in Expected Net Future Premium Payments, the main driver of which is the £11,882k decrease in the net premium creditors.
- ii) the £3,055k increase in Claims Reserves for Future Business.
- iii) the £1,840k decrease in Claims Reserves for Earned Business.
- iv) the £1,358k increase in Expenses.
- v) the £925k decrease in the Risk Margin.
- vi) the £164k increase in Impact of Discounting.
- vii) the £118k increase in Bad Debt Reserve.

Uncertainty

The uncertainty within Technical Provisions arises from the uncertainty regarding:

- future events
- the settlement of known claims
- delays in reporting of claims
- the methodologies and assumptions used to estimate the Technical Provisions.



In particular, the General Liability business (Liability and Employers Liability) is long tailed and therefore claims may be reported and settled many years after the policies were written. This is particularly the case for Employers Liability Industrial Disease claims which can be reported over twenty years after the policies were written. The best estimate Technical Provisions include an explicit allowance for such Industrial Disease claims but this is subject to significant uncertainty.

Judgement with regard to the Middle East conflict

On 28 February 2026 conflict broke out in the Middle East. The Company has minimal underwriting exposure in the affected region. Management has assessed the potential impact of the conflict on the Company's insurance and reinsurance exposures and does not believe it affects the value of the Technical Provisions. As the event began in 2026, any effect on the value of the Technical Provisions, if there were any, would have taken place after 31 December 2025.

Differences in valuation of Technical Provisions under Solvency UK regulations and UK GAAP

With regard to the actuarial techniques deployed, the bases, methods and main assumptions used for the valuation of Technical Provisions under Solvency UK regulations are essentially the same as under UK GAAP. The difference in valuation arises from the following differences in approach between Solvency UK regulations and UK GAAP:

- 1) Under Solvency UK regulations, insurance and intermediaries receivables that are not yet due or have been due for no more than three months are included in the Technical Provisions. Under UK GAAP they are included with all other insurance and intermediaries receivables and are classified separately from Technical Provisions.

Under Solvency UK regulations, reinsurance payables are included in the Technical Provisions. Under UK GAAP they are classified separately from Technical Provisions.

- 2) As prescribed by Solvency UK regulations, any margin above the best estimate of future liabilities that may have been included under UK GAAP must be excluded.
- 3) As prescribed by Solvency UK regulations, the Solvency UK Technical Provisions take account of:
 - future profit from policies that have been written at the reporting date but the premium from which has not been recognised as earned, and
 - future profit from policies that are legally bound but have not been written or have not been accepted at the reporting date.

Neither of these factors are taken into account in calculating the Technical Provisions under UK GAAP.

- 4) As prescribed by Solvency UK regulations, the Solvency UK Technical Provisions take account of all the operational expenses (including claim handling expenses) that would be incurred over the period required to fully discharge the insurance obligations represented by the Technical Provisions.

Under UK GAAP only the claim handling expenses that would be incurred over the period required to fully discharge the insurance obligations represented by the Technical Provisions are taken into account in calculating the Technical Provisions.

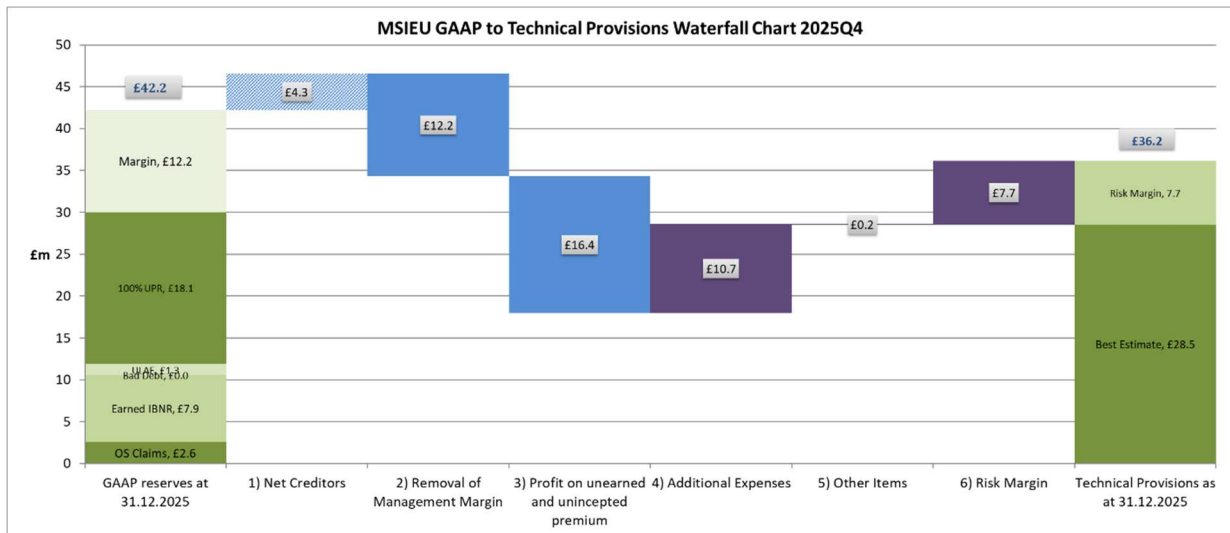
- 5) As prescribed by Solvency UK regulations, the Solvency UK Technical Provisions take account of:
 - Events Not In Data ("ENIDs") such as potential new sources of claims, an example being claims arising from new as yet unidentified diseases, and
 - the time value of money with regard to the future cashflows represented by the Technical Provisions by applying the discount rates prescribed by the PRA to calculate their present value.

Neither of these factors are taken into account in calculating the Technical Provisions under UK GAAP.

- 6) As prescribed by Solvency UK regulations, a risk margin is included in the Technical Provisions which represents the cost of transferring the obligations to a third party and is calculated by considering the cost of holding capital to support the run-off of the Technical Provisions over their lifetime. No such margin is required under UK GAAP.



The chart below shows the value of each of these adjustments and sets out the items included in the net Technical Provisions under Solvency UK regulations but separately classified under UK GAAP and the effect of the revaluation due to the differences in approach described above:



D.3 Other liabilities

Valuation of liabilities for Solvency Purposes

Insurance & intermediaries payables

Insurance & intermediaries payables comprise amounts due to policyholders and intermediaries in connection with i) claims agreed for settlement but not yet settled at the end of the reporting period, and ii) premiums payable to co-insurers. They are expected to be paid in full within twelve months of the reporting date and are valued at the amount payable.

Payables (trade, not insurance)

Payables (trade, not insurance) comprise amounts due to parties other than the Company's policyholders. These are primarily i) tax payable, ii) amounts due to the Company's staff, and iii) amounts due to other group companies for the Company's share of the cost of services supplied by those companies. They are expected to be paid in full within twelve months of the reporting date and are valued at the amount payable.

Any other liabilities, not elsewhere shown

Other liabilities comprise amounts accrued for expenses that have not yet been invoiced and are therefore not due for payment at the end of the reporting period. They are, however, expected to both become due for payment and be paid in full within twelve months of the reporting date, and are valued at the amount accrued.

Differences in valuation of liabilities under Solvency UK regulations and UK GAAP

The valuation of liabilities under UK GAAP and Solvency UK regulations is set out in the following table:

UK GAAP description	UK GAAP valuation £k	Reclassification £k	Revaluation £k	Solvency UK £k	Solvency II description
1) Technical provisions	427,086	(116,883)	(108,419)	201,784	Technical provisions - non-life
2) Creditors arising out of direct insurance operations	3,729			3,729	Insurance & intermediaries payables
3) Creditors arising out of reinsurance operations	121,188	(121,188)		-	Reinsurance payables
4) Other creditors including taxation and social security	9,596	3,431		13,028	Payables (trade, not insurance)
5) Deferred tax liability	-		495	495	
6) Accruals	4,879	(3,431)		1,448	Any other liabilities, not elsewhere shown
7) Deferred reinsurance commissions	39,691		(39,691)	-	Other technical provisions
	<u>606,169</u>	<u>(238,071)</u>	<u>(147,615)</u>	<u>220,483</u>	



The reasons for the reclassifications and revaluations set out in the table above are as follows:

	Liability	UK GAAP valuation £k	Solvency UK valuation £k	Reason for differences
1)	<i>Technical provisions</i>	427,086	201,784	“Technical Provisions” under UK GAAP are replaced by “Technical Provisions” calculated in accordance with Solvency UK regulations, which include premiums receivable less than three months past due or not yet due as transferred from the Assets section of the balance sheet.
2)	<i>Creditors arising out of direct insurance operations</i>	3,729	3,729	“Creditors arising out of direct insurance operations” under UK GAAP are valued on the same basis as “Insurance & intermediaries payables” under Solvency UK regulations.
3)	<i>Creditors arising out of reinsurance operations</i>	121,188	-	Under Solvency UK regulations “Creditors arising out of reinsurance operations” are included in “Reinsurance recoverables” in the Assets section of the balance sheet. Under UK GAAP they are separately classified.
4)	<i>Other creditors including taxation and social security</i>	9,596	13,028	“Other creditors including taxation and social security” under UK GAAP are valued on the same basis as “Payables (trade, not insurance)” under Solvency UK regulations. Items classified as “Accruals” under UK GAAP with a value of £3,431k are classified as “Payables (trade, not insurance)” under Solvency UK regulations.
5)	<i>Deferred tax liability</i>	-	495	The deferred tax liability represents amounts payable by way of deferred taxation arising from taxable temporary differences that will increase the taxable profit of future reporting periods. The £495k deferred tax liability reflects the £890k adjustment to the deferred tax asset of £395k, representing the deferred tax impact of the revaluation of assets and liabilities on a Solvency UK basis.
6)	<i>Accruals</i>	4,879	1,448	“Accruals” under UK GAAP are valued on the same basis as “Any other liabilities, not elsewhere shown” under Solvency UK regulations. Items classified as “Accruals” under UK GAAP with a value of £3,431k are classified as “Other creditors including taxation and social security under Solvency UK regulations.
7)	<i>Deferred reinsurance commissions</i>	39,691	-	“Deferred reinsurance commissions” are not recognised under Solvency UK regulations as they do not represent future cash outflows from the Company and therefore do not represent a reduction in the resources available to the Company for settlement of liabilities.
	TOTAL	606,169	220,483	



During the reporting period no changes were made to the recognition and valuation bases or to the estimates used.

Other than with regard to the Technical Provisions no assumptions or judgements have been made with regard to the future or other sources of uncertainty.

D.4 Alternative methods for valuation

The Company does not use alternative methods for valuation.

D.5 Any other information

The Company has no other material information to report in regard to its valuation of assets and liabilities for solvency purposes.



E. Capital Management

E.1 Own funds

Objectives, policies and processes for managing Own Funds

At all times the Company expects to hold a wide margin of Own Funds over its capital requirements, both with regard to current business and business planned for the future. The current margin and the margin projected twelve months forward of Own Funds over Solvency Capital Requirement are calculated monthly. These margins and projections are reviewed by the Finance Committee and included in reports discussed at the Executive Committee and Board meetings. Projections of Own Funds and the corresponding margin over Solvency Capital Requirement over the five-year business planning period are produced as part of the annual budgeting and business planning cycle. These projections are included in the budgeting and business planning reports to the Finance Committee, Executive Committee and Board.

Subject to regulatory constraints, the appropriate level of the Company's share capital and retained profit is determined by the Board in discussion with its owner, MSIJ, and by reference to the Company's Own Funds and capital requirements. Any proposed withdrawal of capital and consequent diminution in the margin of Own Funds over capital requirements is discussed with the PRA in advance.

Own Funds classified by tier

The Company's Own Funds comprise Tier 1 Basic Own Funds and Tier 2 Ancillary Own Funds.

Tier 1 Basic Own Funds comprise ordinary share capital and a Reconciliation Reserve, both of which are classified as Tier 1 unrestricted Own Funds on the grounds that together they represent the amount available to fully absorb losses on a permanent going-concern basis and thereby accord with the definition set out in Article 93(1)(a) of Directive 2009/138/EC. There is no share premium account or any other form of capital or reserve.

Tier 2 Ancillary Own Funds comprise a Letter of Credit for £20,000k of which the Company is the beneficiary. The Letter of Credit was issued on 1 October 2022 by SMBC Bank International plc, a bank incorporated in the United Kingdom, and is automatically extended unless notice is given a minimum of one year and sixty days in advance. The Prudential Regulation Authority has given approval for it to be taken into account as an amount of ancillary own funds when calculating the Company's total Own Funds for purposes of calculating its solvency ratio under the Solvency UK regulatory regime.

The following table sets out the type and amount of each component of Own Funds at the end of the current and previous reporting periods:

	31 December 2025 £k	31 December 2024 £k
<i>Tier 1 Basic Own Funds</i>		
Issued and fully paid ordinary shares of £1 each	80,700	80,700
Reconciliation reserve	43,641	40,837
<i>Sub-total</i>	<u>124,340</u>	<u>121,537</u>
<i>Tier 2 Ancillary Own Funds</i>		
Letter of Credit	20,000	20,000
Total	<u><u>144,340</u></u>	<u><u>141,537</u></u>

The amount in the Reconciliation Reserve at 31 December 2025 and 31 December 2024 is calculated as the retained profits under UK GAAP at each balance sheet date less the difference between the valuation of net assets under UK GAAP and Own Funds under Solvency UK regulations.

The change in the Reconciliation Reserve of £2,804k in the year to 31 December 2025 (and hence the equivalent change in Tier 1 Basic Own Funds) arose from changes in the normal course of insurance business in the value of the Company's assets and liabilities as valued under Solvency UK regulations.

There were no other material changes over the reporting period.



Eligible amount of Own Funds to cover the Solvency Capital Requirement

Total available Own Funds to meet the Solvency Capital Requirement at 31 December 2025 are £144,340k (2024: £141,537k). This comprises all of the Tier 1 Basic Own Funds of £124,340k and all of the Tier 2 Ancillary Own Funds of £20,000k. All of these Own Funds are eligible to meet the Solvency Capital Requirement of £61,683k (2024: £62,589k).

The ratio of eligible Own Funds to the Solvency Capital Requirement at 31 December 2025 is 234% (2024: 226%).

Eligible amount of Own Funds to cover the Minimum Capital Requirement

The available Own Funds to meet the Minimum Capital Requirement at 31 December 2025 are £124,340k (2024: £121,537k) being the Tier 1 Basic Own Funds. All of these Tier 1 Basic Own Funds are eligible to meet the Minimum Capital Requirement of £15,421k (2024: £15,647k).

The ratio of eligible Own Funds to the Minimum Capital Requirement at 31 December 2025 is 806% (2024: 777%).

There are no deductions from eligible Own Funds.

Difference between equity as shown in the financial statements and the excess of assets over liabilities as calculated for solvency purposes

Total equity at 31 December 2025 per the financial statements is £121,670k (2024: £120,516k). The excess of assets over liabilities at 31 December 2025 as calculated for solvency purposes is £124,340k (2024: £121,537k), which is equivalent to the value of the Tier 1 Basic Own Funds. There are no differences between the ordinary share capital reported in the financial statements and that included in Tier 1 Basic Own Funds. The surplus of £2,670k (2024: £1,021k surplus) of the excess of assets over liabilities as calculated for solvency purposes to the equity as reported in the financial statements is due to differences between the valuation methods used under Solvency UK regulations and those used under UK GAAP.

These differences are listed in the following table:

	31 December 2025	31 December 2024
	£k	£k
Equity per the financial statements (under UK GAAP)	121,670	120,516
<i>Remove:</i>		
UK GAAP Technical Provisions	32,490	25,025
Debtors included in Solvency UK Technical Provisions	(116,883)	(102,632)
Creditors included in Solvency UK Technical Provisions	121,188	118,341
Deferred acquisition costs	(29,950)	(21,773)
Deferred reinsurance commissions	39,691	31,825
Intangible assets	(4,119)	(243)
Other debtors	(2,397)	(1,164)
Other prepayments and accrued income	(306)	(159)
<i>Include:</i>		
Solvency UK Technical Provisions (Best Estimate)	(28,484)	(39,264)
Solvency UK Technical Provisions (Risk Margin)	(7,669)	(8,595)
Deferred tax adjustment for revaluation	(890)	(340)
Excess of assets over liabilities (= Own Funds) (under Solvency UK rules)	124,340	121,537



E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Company calculates its Solvency Capital Requirement and Minimum Capital Requirement using the Solvency UK Standard Formula.

The Company is not using any undertaking-specific parameters in the calculation of the Standard Formula Solvency Capital Requirement pursuant to Article 104(7) of Directive 2009/138/EC.

No capital add-ons have been set by the Company's supervisor.

The Company has applied the following simplifications to the calculation of the Standard Formula Solvency Capital Requirement:

- Counterparty Default Risk - The Company has applied the simplification for calculating the counterparty default risk associated with reinsurance as permitted under Article 107 of the Delegated Acts. This derives a Gross Underwriting Risk Solvency Capital Requirement from which the Net Underwriting Risk Solvency Capital Requirement is deducted to estimate the allowance for reinsurance in the Solvency Capital Requirement. This amount is then apportioned across the current reinsurance exposures in line with the outstanding amounts recoverable.
- Counterparty Default Risk – The Company has applied the simplification of the loss given default for all reinsurers except MSIJ, ADIJ and MS Amlin AG for which it has been confirmed that less than 60% of their assets are allocated to collateral.
- Interest Rate Risk (part of Market Risk) - The asset duration has been directly input into the Interest Rate Risk Solvency Capital Requirement instead of calculating this part of the Solvency Capital Requirement from the cashflows arising from the assets included within the module.

The final Solvency Capital Requirement of £61,683k at 31 December 2025 is still subject to supervisory assessment. Analysis of the Solvency Capital Requirement by risk module is set out in the Insurance Return S.25.01.21 included in Appendix 1. Overall, the Solvency Capital Requirement has decreased by £906k (1.5%) since 31 December 2024.

The inputs into the Minimum Capital Requirement ("MCR") are the net best estimate Technical Provisions and net written premium in the previous 12 months. The table below shows these inputs split by line of business:

Line of Business	Net Best Estimate Technical Provisions (£k)	Net Written Premium (Previous 12 months) £k
	£k	£k
Medical Expenses	(294)	2,243
Marine, Aviation, and Transport	348	1,188
Fire & Other Damage to Property	6,985	6,093
General Liability	7,273	1,143
Credit & Suretyship	14,066	2,345
Miscellaneous Financial Loss	107	1
Total	28,484	13,013

(The analysis of Net Written premium in the previous 12 months is unaudited.)

The Linear MCR is calculated by multiplying the net written premium and the net best estimate Technical Provisions by factors prescribed for each line of business. The Linear MCR is calculated as £5,095k. However, the final MCR can be no greater than 45% of the SCR (£27,758k = 45% x £61,683k) and no lower than 25% of the SCR (£15,421k = 25% x £61,683k). Consequently, the final MCR is £15,421k (being 25% of the SCR).

The MCR at 31 December 2024 was also equal to 25% of the SCR (£15,647k = 25% x £62,589k). Therefore, the MCR has decreased by £226k which is due to the £906k decrease in the SCR.



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

The Company does not use the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

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

The Company does not have an approved full or partial internal model.

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

The Company continues to comply with the Minimum Capital Requirement and Solvency Capital Requirement.

E.6 Any other information

There is no other information with regard to the Company's capital management.



Appendix 1

Mitsui Sumitomo Insurance Company (Europe), Limited

Solvency and Financial Condition Report

Disclosures

31 December
2025

(Monetary amounts in GBP thousands)

General information

Entity name	Mitsui Sumitomo Insurance Company (Europe), Limited
Entity identification code and type of code	LEI/549300SL7DMSQCNFTC38
Type of undertaking	Non-life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	31 December 2025
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

-

IR.02.01.02 - Balance sheet

IR.05.02.01 - Premiums, claims and expenses by country: Non-life obligations

IR.05.04.02 - Non-life income and expenditure : reporting period

IR.17.01.02 - Non-Life Technical Provisions

IR.19.01.21 - Non-Life insurance claims

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

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

IR.02.01.02

Balance sheet

Assets

R0030	Intangible assets
R0040	Deferred tax assets
R0050	Pension benefit surplus
R0060	Property, plant & equipment held for own use
R0070	Investments (other than assets held for index-linked and unit-linked contracts)
R0080	<i>Property (other than for own use)</i>
R0090	<i>Holdings in related undertakings, including participations</i>
R0100	<i>Equities</i>
R0110	<i>Equities - listed</i>
R0120	<i>Equities - unlisted</i>
R0130	<i>Bonds</i>
R0140	<i>Government Bonds</i>
R0150	<i>Corporate Bonds</i>
R0160	<i>Structured notes</i>
R0170	<i>Collateralised securities</i>
R0180	<i>Collective Investments Undertakings</i>
R0190	<i>Derivatives</i>
R0200	<i>Deposits other than cash equivalents</i>
R0210	<i>Other investments</i>
R0220	Assets held for index-linked and unit-linked contracts
R0230	Loans and mortgages
R0240	<i>Loans on policies</i>
R0250	<i>Loans and mortgages to individuals</i>
R0260	<i>Other loans and mortgages</i>
R0270	Reinsurance recoverables from:
R0280	<i>Non-life and health similar to non-life</i>
R0315	<i>Life and health similar to life, excluding index-linked and unit-linked</i>
R0340	<i>Life index-linked and unit-linked</i>
R0350	Deposits to cedants
R0360	Insurance and intermediaries receivables
R0370	Reinsurance receivables
R0380	Receivables (trade, not insurance)
R0390	Own shares (held directly)
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in
R0410	Cash and cash equivalents
R0420	Any other assets, not elsewhere shown
R0500	Total assets

Solvency II value	
C0010	
	0
	143,565
	0
	0
	0
	0
	0
	19,820
	0
	19,820
	0
	0
	92,386
	0
	31,359
	0
	0
	0
	0
	0
	165,630
	165,630
	0
	0
	0
	9,142
	17,173
	0
	0
	0
	9,313
	0
	344,823

		Solvency II value
		C0010
Liabilities		
R0505	Technical provisions - total	201,784
R0510	<i>Technical provisions - non-life</i>	201,784
R0515	<i>Technical provisions - life</i>	0
R0542	Best estimate - total	194,114
R0544	<i>Best estimate - non-life</i>	194,114
R0546	<i>Best estimate - life</i>	0
R0552	Risk margin - total	7,669
R0554	<i>Risk margin - non-life</i>	7,669
R0556	<i>Risk margin - life</i>	0
R0565	Transitional (TMTP) - life	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	495
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	3,729
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	13,028
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in Basic Own Funds</i>	0
R0870	<i>Subordinated liabilities in Basic Own Funds</i>	0
R0880	Any other liabilities, not elsewhere shown	1,448
R0900	Total liabilities	220,483
R1000	Excess of assets over liabilities	124,340

IR.05.02.01

Premiums, claims and expenses by country: Non-life obligations

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Top 5 countries (by amount of gross premiums written)						Total Top 5 and home country
Home Country	US						
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written							
R0110 Gross - Direct Business	54,209	42,420					96,628
R0120 Gross - Proportional reinsurance accepted	9,485	4,946					14,431
R0130 Gross - Non-proportional reinsurance accepted	0	0					0
R0140 Reinsurers' share	56,448	44,053					100,500
R0200 Net	7,246	3,313					10,559
Premiums earned							
R0210 Gross - Direct Business	61,876	16,163					78,039
R0220 Gross - Proportional reinsurance accepted	4,055	4,807					8,862
R0230 Gross - Non-proportional reinsurance accepted	0	0					0
R0240 Reinsurers' share	61,752	19,286					81,038
R0300 Net	4,179	1,684					5,863
Claims incurred							
R0310 Gross - Direct Business	25,972	0					25,972
R0320 Gross - Proportional reinsurance accepted	-34,743	-188					-34,931
R0330 Gross - Non-proportional reinsurance accepted	0	0					0
R0340 Reinsurers' share	-12,513	236					-12,277
R0400 Net	3,742	-424					3,318
R0550 Net expenses incurred	3,907	-90					3,818

Non-Life Technical Provisions

	Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Best estimate																	
Premium provisions																	
R0060 Gross	-145					9,049	242	11,548	-14,338			-1					6,356
R0140 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-1					8,447	4,223	12,846	-15,561			-156					9,799
R0150 Net Best Estimate of Premium Provisions	-144					602	-3,981	-1,298	1,223			155					-3,442
Claims provisions																	
R0160 Gross	-152					32,472	70,369	63,353	21,580			137					187,758
R0240 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-1					32,726	59,403	54,782	8,737			185					155,832
R0250 Net Best Estimate of Claims Provisions	-151					-255	10,966	8,571	12,843			-48					31,926
R0260 Total best estimate - gross	-297					41,521	70,611	74,901	7,242			137					194,114
R0270 Total best estimate - net	-294					348	6,985	7,273	14,066			107					28,484
R0280 Risk margin	0					93	1,861	1,938	3,749			29					7,669
R0320 Technical provisions - total	-297					41,613	72,472	76,839	10,991			165					201,784
R0330 Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	-2					41,173	63,626	67,628	-6,823			29					165,630
R0340 Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	-294					440	8,846	9,211	17,814			136					36,153

IR.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Gross Claims Paid (non-cumulative)															
(absolute amount)															
Year	C0010	C0020	C0030	C0040	C0050		C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year											In Current year	Sum of years (cumulative)		
	0	1	2	3	4	5	6	7	8	9	10 & +				
R0100	Prior											115	115	115	
R0160	-9	1,397	10,967	4,643	2,507	1,525	1,227	571	371	492	245		245	23,945	
R0170	-8	1,345	11,700	7,181	2,061	1,958	2,058	616	668	309			309	27,896	
R0180	-7	3,506	11,120	5,951	2,134	3,195	4,345	2,965	4,565				4,565	37,782	
R0190	-6	2,329	5,919	35,936	2,903	3,491	307	2,124					2,124	53,008	
R0200	-5	1,326	17,220	7,266	5,917	5,834	1,022						1,022	38,585	
R0210	-4	4,456	22,730	16,524	5,133	3,015							3,015	51,858	
R0220	-3	48,172	86,272	19,237	9,945								9,945	163,626	
R0230	-2	2,967	19,019	16,367									16,367	38,352	
R0240	-1	1,176	15,012										15,012	16,188	
R0250	0	791											791	791	
R0260													Total	53,510	452,146

Gross Undiscounted Best Estimate Claims Provisions														
(absolute amount)														
Year	C0200	C0210	C0220	C0230	C0240		C0250	C0260	C0270	C0280	C0290	C0300	C0360	
	Development year											Year end (discounted data)		
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											17,548	16,317	
R0160	-9	16,333	18,381	12,105	9,218	5,522	4,188	3,082	1,863	1,414	1,582		1,395	
R0170	-8	19,263	24,602	17,475	11,013	10,387	5,733	3,879	3,055	1,843			1,614	
R0180	-7	25,405	32,559	19,267	22,352	16,316	12,266	10,314	5,259				4,765	
R0190	-6	18,748	55,981	19,314	16,543	8,934	7,023	4,772					4,451	
R0200	-5	55,591	81,413	20,159	14,961	10,088	3,678						3,442	
R0210	-4	54,033	61,629	22,002	21,912	16,456							15,718	
R0220	-3	183,769	84,474	59,586	21,792								20,390	
R0230	-2	74,516	119,319	44,774									41,789	
R0240	-1	43,998	49,204										45,651	
R0250	0	34,955											32,226	
R0260													Total	187,758

Gross premium			
	C0570	C0580	
	Gross earned premium at reporting reference date	Estimate of future gross earned premium	
R0160	N-9	40,213	-17
R0170	N-8	43,745	-63
R0180	N-7	52,768	352
R0190	N-6	79,176	1,163
R0200	N-5	119,359	-35
R0210	N-4	142,722	-34
R0220	N-3	189,590	5,824
R0230	N-2	210,148	22,329
R0240	N-1	93,570	39,676
R0250	N	50,225	97,721

IR.23.01.01

Own Funds

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

R0220 **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**

R0290 **Total basic own funds**

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees
R0350	Letters of credit and guarantees other
R0360	Supplementary members calls
R0370	Supplementary members calls - other
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580	SCR
R0600	MCR
R0620	Ratio of Eligible own funds to SCR
R0640	Ratio of Eligible own funds to MCR

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0725	Deductions for participations in financial and credit institutions
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
80,700	80,700		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
43,640	43,640			
0		0	0	0
0				0
0	0	0	0	0
0				
124,340	124,340	0	0	0
0				
0				
0				
0				
20,000			20,000	
0				
0				
0				
0				
20,000			20,000	0
144,340	124,340	0	20,000	0
124,340	124,340	0	0	
144,340	124,340	0	20,000	0
124,340	124,340	0	0	
61,683				
15,421				
234.00%				
806.31%				
C0060				
124,340				
0				
80,700				
0				
43,640				

IR.25.04.21

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

		C0010
Market risk		
R0070	Interest rate risk	674
R0080	Equity risk	0
R0090	Property risk	0
R0100	Spread risk	6,845
R0110	Concentration risk	2,073
R0120	Currency risk	3,118
R0125	Other market risk	
R0130	Diversification within market risk	-3,897
R0140	Total Market risk	8,812
Counterparty default risk		
R0150	Type 1 exposures	20,155
R0160	Type 2 exposures	5,054
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	-1,031
R0180	Total Counterparty default risk	24,178
Life underwriting risk		
R0190	Mortality risk	
R0200	Longevity risk	
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	
R0270	Total Life underwriting risk	0
Health underwriting risk		
R0280	Health SLT risk	0
R0290	Health non SLT risk	511
R0300	Health catastrophe risk	1,800
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	-321
R0320	Total Health underwriting risk	1,990
Non-life underwriting risk		
R0330	Non-life premium and reserve risk (ex catastrophe risk)	12,841
R0340	Non-life catastrophe risk	30,358
R0350	Lapse risk	2,695
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	-9,996
R0370	Non-life underwriting risk	35,898
R0400	Intangible asset risk	
Operational and other risks		
R0422	Operational risk	5,823
R0424	Other risks	
R0430	Total Operational and other risks	5,823
R0432	Total before all diversification	91,947
R0434	Total before diversification between risk modules	76,702
R0436	Diversification between risk modules	-15,018
R0438	Total after diversification	61,683
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	
R0455	Other adjustments	
R0460	Solvency capital requirement including undisclosed capital add-on	61,683
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	Solvency capital requirement including capital add-on	61,683
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	

IR.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

R0010 MCR_{NL} Result

C0010

5,095

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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C0020

C0030

C0020	C0030
0	2,243
0	0
0	0
0	0
0	0
348	1,188
6,985	6,093
7,273	1,143
14,066	2,345
0	0
0	0
107	1
0	0
0	0
0	0
0	0
0	0

- R0020 Medical expense insurance and proportional reinsurance
- R0030 Income protection insurance and proportional reinsurance
- R0040 Workers' compensation insurance and proportional reinsurance
- R0050 Motor vehicle liability insurance and proportional reinsurance
- R0060 Other motor insurance and proportional reinsurance
- R0070 Marine, aviation and transport insurance and proportional reinsurance
- R0080 Fire and other damage to property insurance and proportional reinsurance
- R0090 General liability insurance and proportional reinsurance
- R0100 Credit and suretyship insurance and proportional reinsurance
- R0110 Legal expenses insurance and proportional reinsurance
- R0120 Assistance and proportional reinsurance
- R0130 Miscellaneous financial loss insurance and proportional reinsurance
- R0140 Non-proportional health reinsurance
- R0150 Non-proportional casualty reinsurance
- R0160 Non-proportional marine, aviation and transport reinsurance
- R0170 Non-proportional property reinsurance

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

0

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
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C0050

C0060

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

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

C0070

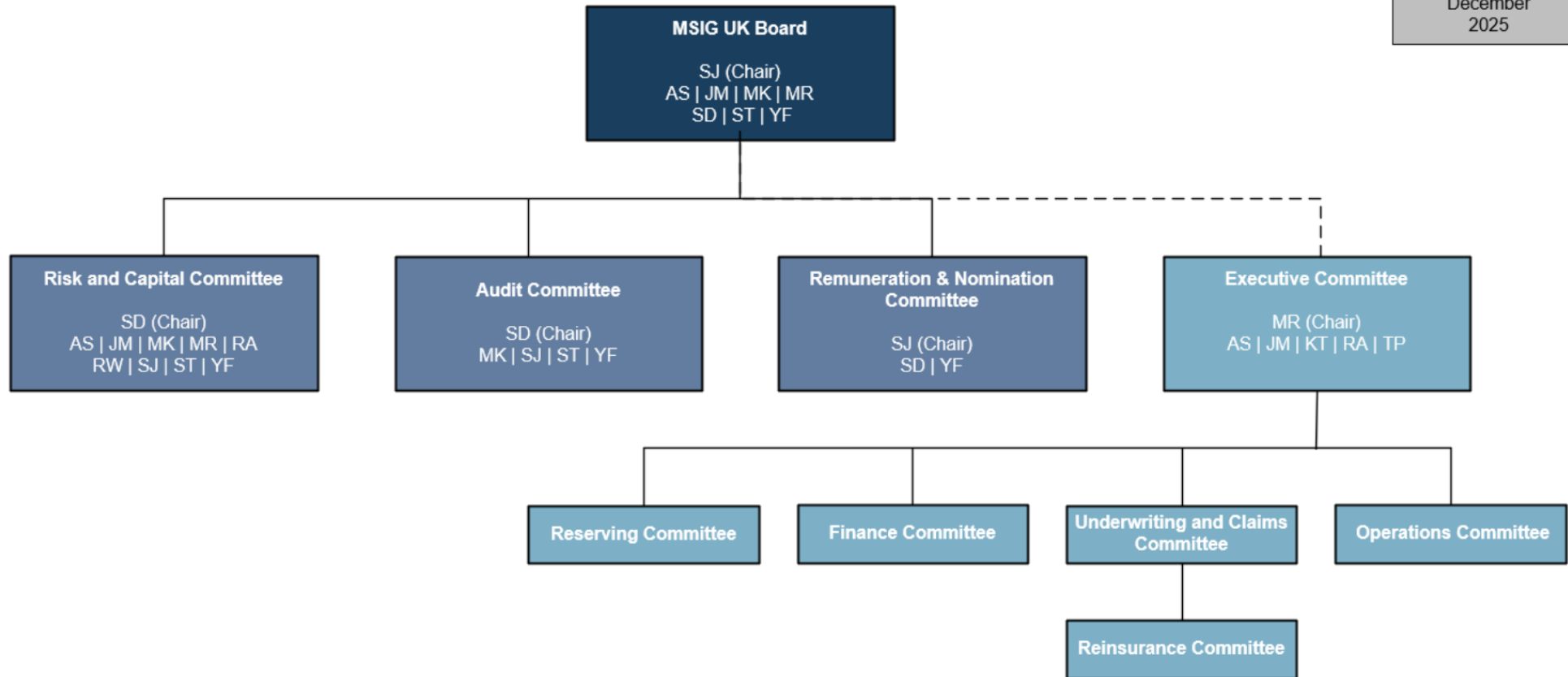
5,095
61,683
27,758
15,421
15,421
2,400
15,421



Appendix 2



December 2025



Key:

Board Committees	AS – Andrew Slater	RW – Rupert Watson
	JM – John Moffatt	SD – Sarah Davies
Management Committees	KT – Koji Takiguchi	SJ – Simon Jeffreys
	MK – Masayuki Kawase	ST – Shingo Tsuda
	MR – Martyn Rodden	TP – Thomas Payne
	RA – Ruth Adamson	YF – Yasuko Fukuda