Motors Insurance Company Limited

Solvency and Financial Condition Report

For the year ended 31 December 2024

Motors Insurance Company

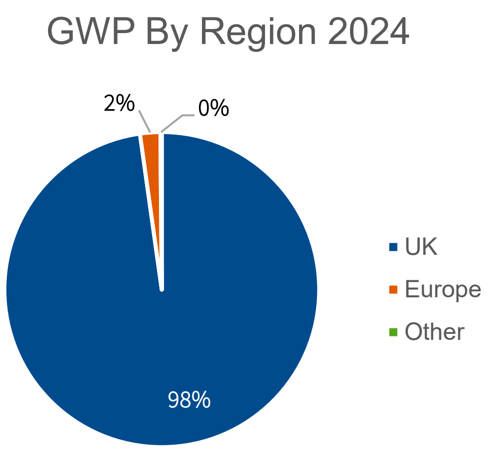
An AmTrust Financial Company

Contents

Summary

Business model

Motors Insurance Company Limited (MICL or the Company) is a UK registered insurance company, which underwrites or reinsures multiple lines of business, predominantly in the UK. Its primary markets are shown in the chart below which shows Gross Written Premium (GWP) by region:



MICL's primary underwriting focus is in the motor add-on market, offering the following types of insurance:

- Mechanical Breakdown Insurance (Miscellaneous Financial Loss)
- Guaranteed Asset Protection (Miscellaneous Financial Loss)[1]
- Alloy Wheel Repair, Cosmetic Repair and Tyre Insurances (Motor Other); and
- Roadside Assistance (Assistance).

MICL is a member of the AmTrust Financial Services Inc. (AFSI) Group. AFSI is a multinational property and casualty insurer.

Solvency II / Solvency UK

As a regulated insurance company, MICL is subject to the laws, regulatory rules and principles adopted within the UK. Solvency II is a regulatory regime which is designed to set an appropriate level of capital that reflects the specific risk profile of insurance companies within the EU. Following the United Kingdom's withdrawal from the EU and taking effect from 31 December 2024, the Bank of England has issued a restatement of the assimilated law, which concludes the adaptation of the UK's prudential regime inherited from the EU into a framework consistent with the UK's approach to financial services regulation. The new UK prudential regime for insurers is known as "Solvency UK". However, for clarity the PRA will continue to refer to the regime as Solvency II until such time as all references can be changed across all relevant materials. Therefore, all references to Solvency II through this SFCR apply to the new UK prudential regime.

The biggest source of risk in MICL's business model relates to the underwriting activity undertaken by the business. Regulatory capital is designed to act as a buffer, which is to be held within the Company's assets and liabilities and provides a safety mechanism to protect policyholders should MICL incorrectly estimate its future liabilities, or if unforeseen stress events occur which impact the markets in which MICL operates.

This report is a Solvency II requirement and is designed to give MICL's external stakeholders (including policyholders) an insight into the solvency and financial condition of the Company. This is the ninth SFCR

[1] In Q1 2024 and Q2 2024, there was a temporary cessation of GAP insurance within the UK market.

completed by MICL, covering the period 1 January 2024 to 31 December 2024, with comparisons to the 2023 period. It is a document covering MICL's business only and therefore classed as a solo submission.

The 2024 SFCR is subject to external audit. The external review covers sections D and E of this report.

Business performance

2024	Motor (other classes)	Assistance	Miscellaneous financial loss	Total
	£'000	£'000	£'000	£'000
GWP – insurance (direct)	18,369	1,384	140,528	160,280
GWP – accepted reinsurance	-	-	3,336	3,336
Reinsurers' share	(9,607)	(692)	(76,492)	(86,792)
Net written premiums	8,761	692	67,372	76,825
Gross premiums earned – insurance (direct)	14,993	1,192	140,552	156,736
Gross premiums earned – accepted reinsurance	-	-	9,885	9,885
Reinsurers' share	(7,280)	(594)	(77,926)	(85,800)
Net earned premiums	7,713	597	72,510	80,820
Gross claims incurred – insurance (direct)	8,726	661	113,318	122,704
Gross claims incurred – accepted reinsurance	-	-	6,132	6,132
Reinsurers' share	(4,513)	(330)	(65,566)	(70,409)
Net claims incurred	4,213	331	53,884	58,427
Acquisition costs, commissions, claims management costs	1,760	(54)	8,754	10,460
Net technical result before other technical expenses	1,740	321	9,872	11,933
Other technical expenses incurred net of reinsurance				10,374
Net technical result				1,559

As noted below, 2024 GWP was 4.3% lower year on year, predominantly as a result of the hiatus in sales of GAP products in the year. Mechanical Breakdown Insurance (MBI) accounted for 87% (2023: 82%) of total GWP.

The technical result was down on 2023, being impacted by above expectation sectoral inflation, an ageing vehicle parc, and mix changes due to new vehicle technology being introduced.

The Company has taken significant rating actions across its book of MBI business to address this inflationary pressure, which is expected to result in improved loss ratios in future underwriting years.

Claim frequencies on Guaranteed Asset Protection (GAP) insurance remain lower than anticipated due to there being fewer total loss events when compared to historical levels. However, during 2024, MICL has seen loss ratios on this line of business begin to increase, with claim severities being in-line with expectations. This is a positive reflection of the product enhancements introduced in 2023/4 to improve value and utility for policyholders.

Alloy, Cosmetic and Tyre (ACT) insurance underwriting profits have been impacted by inflation to some extent but are still performing in line with target overall.

MICL seeks to adopt strong risk appetites and underwriting disciplines in the lines of business that it participates in and has a core team of experienced and professional underwriters that have a good track record of achieving target loss ratios over many years.

The primary objectives for the investment portfolio are capital preservation and maintenance of liquidity. 2024 experienced much less volatility than in the two years previously, and with market expectations of falling interest rates, performance improved year on year. Performance was broadly in line with benchmarks as a result of the portfolio's high credit quality and short duration.

In addition, the size of the portfolio was reduced during the year as a result of the payment of a dividend of £10.0m in June 2024.

In May 2024, A.M. Best reassigned MICL a Financial Strength Rating of A- (Excellent) and a Long-Term Issuer Credit Rating of "a-" due to its balance sheet being assessed as very strong, as well as its strong operating performance, limited business profile and appropriate enterprise risk management.

AmTrust Financial Services Inc. (AFSI) continues to support MICL with a Net Worth Maintenance Agreement which can be called upon in the event that the Company's solvency position is below its risk appetite for an extended period of time, subject to the Company being unable to recover the position through other capital levers at its disposal.

Material changes to MICL's business model

In July 2024, MICL (with other companies in the AmTrust Group), made the strategic decision to renew its Quota Share Reinsurance arrangement under which 50% of all written premiums (net of other reinsurances and similar deductions) and claims are ceded to an AA- rated (Standard and Poor's) global third-party reinsurer. Whilst MICL's capital position has remained comfortably within the Board defined risk appetite since the implementation of Solvency II, the quota share provides additional capital coverage to support future growth. The arrangement has contributed to net written premiums reducing. Additionally, in July 2022 MICL purchased additional reinsurance for its GAP portfolio of business with a highly rated reinsurer, and this contract was renewed in July 2024.

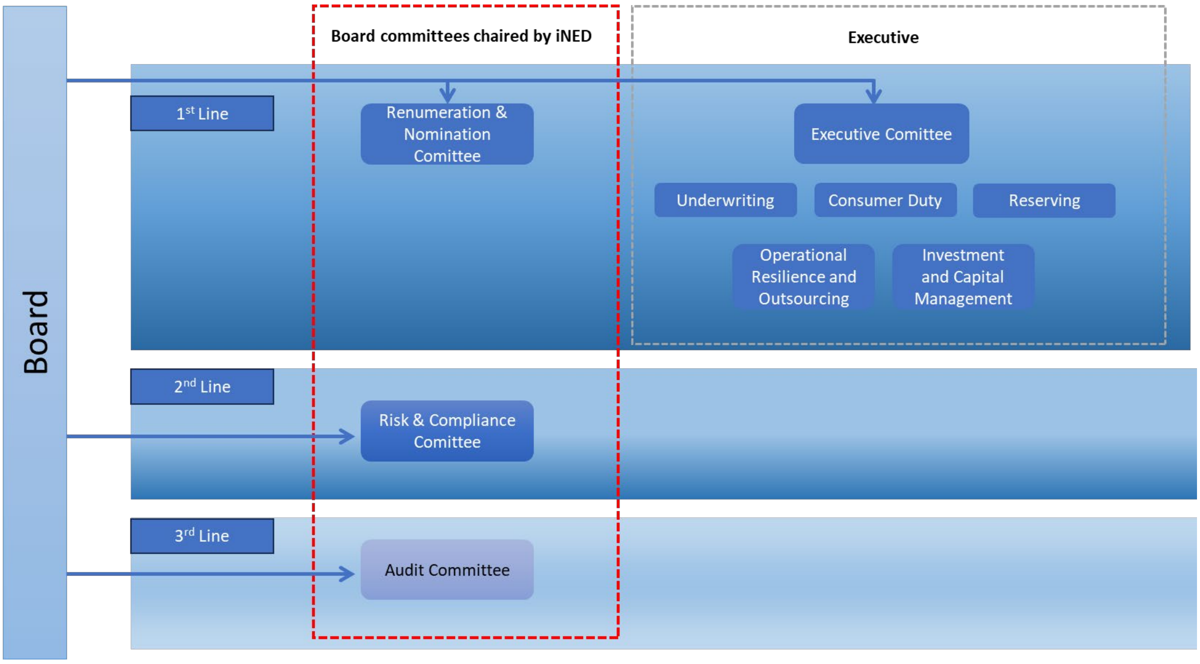
In February 2024, following a FCA review into GAP Insurance in the UK market, multiple insurance firms, including MICL, agreed to temporarily cease the sale of GAP Insurance. Following a review of the value provided by the product and an analysis of its target market, the FCA agreed that MICL could relaunch GAP in the second half of 2024. Retailer programmes have been redeveloped and re-launched but volumes have not yet returned to previous levels. However, there is an expectation that sales volumes will increase over the short-to-medium term as the market re-adjusts.

Systems of Governance

MICL has developed a system of corporate governance to ensure that there is a clear process of decision making combined with accountability and transparency, which allows for the sound and prudent management of the business.

The Board, which was strengthened through various changes in late-2024, including the appointment of an additional Independent Non-Executive Director, has overall responsibility for setting and achieving MICL's strategy and putting in place appropriate systems and infrastructures to manage the associated risk in its business model. In line with established best practices within the insurance market, MICL follows the "Three Lines of Defence" model of risk management and internal control.

The Company's key committees, as at 31 December 2024, are depicted below, with the Risk and Compliance Committee sitting within the 2nd line of defence, the Audit Committee in the 3rd line of defence, and all other committees within the 1st line of defence.



The Board of Directors, along with the Risk and Compliance Committee, provide oversight and control in relation to the evaluation of risk within the business. The membership of the Board and sub-committees comprises Executive Directors, Independent Non-Executive Directors and Parent Company representatives. All committees have terms of reference which define their roles and responsibilities.

Risk Profile

The Company calculates its required capital from both a regulatory and internal economic capital perspective by reference to certain risk categories that it is exposed to within its business model. The main risks that MICL is exposed to are:

- Underwriting risk – 65.7% (2023: 63.7%) of the undiversified SCR
- Market risk – 24.7% (2023: 30.8%) of the undiversified SCR
- Credit risk – 9.6% (2023: 5.5%) of the undiversified SCR

Underwriting Risk

MICL's largest risk exposure is in respect of underwriting risk, which is broken down into two main components: premium risk and reserve risk. Premium risk is the risk that premiums are insufficient to cover the value of claims made; and reserve risk is the risk that on-going claims are settled at a higher value than previously expected. Most of the Company's material underwriting risk exposure comes from the MBI product within the Miscellaneous Financial Loss class, which continued to represent the largest class of business during 2024. The proportion of total risk represented by underwriting risk was lower year on year due to reduced GAP premiums (lowering premium risk and catastrophe risk) and reduced profit shares (lowering reserve risk).

Market Risk

Market risk is the risk of loss of income or decrease in the value of assets caused by movements in the level and prices of financial instruments. Market risk includes factors such as equity values, interest rates, foreign exchange and spread risk.

The Company's material exposures to market risk include concentration risk on intercompany loans, interest rate risk and spread risk on its bond portfolio, and foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. Market risk has reduced in 2024 as a result of intercompany loan repayments reducing concentration risks and a lowering of the duration of the portfolio.

Credit Risk

Credit risk is the potential loss arising from the failure of third parties to meet their payment obligations to the Company.

In MICL, the main area of credit risk is in relation to amounts due from investments, loans to third parties, reinsurance companies, insurance intermediaries, clients and amounts held with banks and other financial institutions.

Other risks

MICL is also exposed to the following other risks:

- Liquidity risk
- Operational risk
- Legal and regulatory risk.

Historically, MICL has embedded climate change risk management within its ERM Framework. Throughout 2024, MICL has continued its focus in this area.

Other key areas of risk focus in 2024 included:

- Inflation – inflationary pressures continued in 2024, fuelled by the growing global geopolitical tensions.
- Value and Utility– during 2024 MICL responded to the FCA in relation to a market wide investigation into GAP value and utility. MICL made adaptations to its GAP product offering in response to the review and has also adopted the approach taken with GAP to its other insurance products.

Cyber risk –The regulatory focus on cyber risk and operational resilience, in particular the ability for companies to recover from a cyber event, has been an area of significant focus in 2024.

Valuation for Solvency Purposes

MICL's assets and liabilities are valued differently when calculating its regulatory capital under Solvency II and when preparing its annual accounts for filing at Companies House. The former applies the valuation rules from the PRA rulebook (as transposed from the Solvency II Directive), and the latter applies valuation rules under Generally Accepted Accounting Principles (GAAP) in the UK.

The following is a summary level Solvency II Balance Sheet as at 31 December 2024 and 31 December 2023 for comparison (note that throughout this document the values given in the tables are rounded to the nearest thousand pounds, the totals are rounded values of the actual totals):

Solvency II Balance Sheet As at 31st December 2024	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Assets				
Deferred acquisition costs	27,225	-	(27,225)	-
Investments				
Bonds				
Government bonds	98,608	520	-	99,128
Corporate bonds	78,687	1,178	-	79,866
Loans and mortgages	9,800	183	1,736	11,719
Reinsurance recoverables	105,145	30,327	(51,048)	84,424
Deposits to cedants	472	-	(19)	453
Insurance & intermediaries receivables	32,215	(28,163)	-	4,052
Reinsurance receivables	4,748	(2,164)	-	2,584
Receivables (trade, not insurance)	1,977	-	-	1,977
Cash and cash equivalents	8,758	-	-	8,758
Any other assets	1,881	(1,881)	-	-
Total Assets	369,516	-	(76,555)	292,961
Liabilities				
Technical provisions – non-life	197,448	34,276	(79,671)	152,053
Deposits from reinsurers	55,706	(9,636)	-	46,071
Deferred tax liabilities	-	-	6,484	6,484
Insurance & intermediaries payables	20,546	(19,610)	-	935
Reinsurance payables	8,360	(5,030)	-	3,329
Payables (trade, not insurance)	9,611	-	-	9,611
Any other liabilities	22,819	-	(22,819)	-
Total Liabilities	314,489	-	(96,007)	218,482
Excess of assets over liabilities	55,027	-	19,452	74,479

Solvency II Balance Sheet As at 31st December 2023	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Assets				
Deferred acquisition costs	30,824	-	(30,824)	-
Investments				
Bonds				
Government bonds	105,863	450	-	106,313
Corporate bonds	78,153	1,063	-	79,216
Loans and mortgages	11,800	238	2,689	14,727
Reinsurance recoverables	100,534	30,135	(56,111)	74,558
Deposits to cedants	845	-	(38)	807
Insurance & intermediaries receivables	30,025	(27,393)	-	2,631
Reinsurance receivables	6,488	(2,742)	(7)	3,740
Receivables (trade, not insurance)	136	-	-	136
Cash and cash equivalents	14,896	-	-	14,896
Any other assets	1,751	(1,751)	-	-
Total Assets	381,315	-	(84,291)	297,025
Liabilities				
Technical provisions – non-life	194,454	36,958	(93,161)	138,251
Deposits from reinsurers	61,094	(10,479)	-	50,615
Deferred tax liabilities	-	-	7,624	7,624
Insurance & intermediaries payables	21,906	(20,984)	-	921
Reinsurance payables	12,176	(5,495)	-	6,681
Payables (trade, not insurance)	10,681	-	-	10,681
Any other liabilities	21,625	-	(21,625)	-
Total Liabilities	321,935	-	(107,162)	214,773
Excess of assets over liabilities	59,380	-	22,871	82,252

Assets and Other liabilities

The valuation of most of MICL's assets and other liabilities is the same under UK GAAP and Solvency II. The main differences are:

Insurance and intermediaries receivables and payables – Receivables from, and payables to intermediaries and ceding insurers where the amounts are past contractual payment terms are valued at the amount payable, and are discounted where it is expected that the balance will be paid after more than one year under Solvency II. Where the amounts are not past contractual payment terms, i.e., not yet due, they are transferred to reinsurance recoverables or technical provisions as appropriate. The UK GAAP balance also includes amounts owed in respect of profit-sharing agreements, which are included in technical provisions in the Solvency II balance sheet as the future amounts payable are directly affected by the future policy cash flows.

Deferred tax liability – The Company has no deferred tax liability under UK GAAP. However, the Solvency II balance sheet has a deferred tax liability balance in respect of the increase in own funds due to the recognition of future profits in technical provisions when calculated on a Solvency II basis.

Technical Provisions

There are significant differences in the way Technical Provisions (TPs) are required to be calculated under Solvency II in comparison with the UK GAAP provisions. Under Solvency II Claims Provisions and Premium Provisions must be calculated separately on a best estimate basis with no explicit margins included. They should include an allowance for all possible future cash flows, not just the foreseeable ones and include provisions for both allocated and unallocated expenses associated with the business written.

There is a requirement to discount the TPs using risk free yield curves for each currency, which means cash flows of the TPs have to be generated.

Finally, a Risk Margin, which reflects the uncertainty in the cash flows as the TPs run off, is added to the best estimate, which must be calculated using the prescribed cost of capital approach.

More details on the specific methodologies used by MICL in the calculation of its TPs and how they differ from the statutory provisions are provided in the main body of this report in section D.

The following table shows a summary of MICL's total Technical Provisions as of 31 December 2024:

Solvency II Class of Business	Best Estimate Technical Provisions	Solvency II Risk Margin	Solvency II Value	Reinsurance Recoverable	Net Technical Provisions
	£'000	£'000	£'000	£'000	£'000
Other motor insurance	20,967	199	21,166	11,363	9,803
Assistance	571	5	576	326	249
Miscellaneous financial loss	129,145	1,166	130,311	72,734	57,577
Total	**150,683**	**1,370**	**152,053**	**84,424**	**67,629**

The following table shows a summary of MICL's total Technical Provisions as of 31 December 2023:

Solvency II Class of Business	Best Estimate Technical Provisions	Solvency II Risk Margin	Solvency II Value	Reinsurance Recoverable	Net Technical Provisions
	£'000	£'000	£'000	£'000	£'000
Other motor insurance	15,685	156	15,841	8,393	7,448
Assistance	618	6	624	340	284
Miscellaneous financial loss	120,611	1,175	138,251	65,825	55,961
Total	**136,914**	**1,337**	**138,251**	**74,558**	**63,693**

Capital Management

MICL uses an external system, Solvency Tool, to calculate its SCR using the Standard Formula. The Company uses an Undertaking Specific Parameter (USP) for Premium Risk for the Miscellaneous and Financial Loss (MFL) line of business, alongside the standard formula for the other components of the Solvency Capital Requirement (SCR). It does not use simplified calculations for any of the risk modules. MICL's capital structure is 100% tier 1.

MICL maintains an internal minimum management target for the Solvency II ratio. The Solvency II ratio as at 31 December 2024 was 295% (2023: 311%), which is above the Company's internal risk appetite.

Capital Requirements 31 December	2024		2023	
	£'000	Coverage	£'000	Coverage
Own Funds	74,479		82,252	
SCR	25,224	295%	26,436	311%
MCR	11,351	656%	11,896	691%

The reduction in Own Funds from 2023 to 2024 reflects the payment of total dividends in the period of £10m, offset by profit in the year. The SCR coverage decreased slightly from 311% in 2023 to 295% in 2024.

MICL's SCR, split by risk module as of 31 December 2024, is shown in the table below, with 2023 figures for comparison:

	2024 £'000	2023 £'000
Counterparty Default Risk	3,127	2,005
Market Risk	8,149	11,244
Non-Life Underwriting Risk	21,646	23,292
Undiversified BSCR	**32,922**	**36,541**
Diversification Credit	(6,213)	(7,183)
Basic SCR	**26,709**	**29,358**
Operational Risk	4,999	4,702
Loss Adjusting Capacity of Deferred Taxes	(6,484)	(7,624)
SCR	**25,224**	**26,436**

The value calculated for each individual risk is the estimated loss that would be incurred in an adverse scenario for that specific risk. As not all of these negative outcomes would be expected to occur within a short time frame the Standard Formula SCR calculation allows for a diversification benefit which is an estimate of the total reduction in the overall level of risk. The effect of diversification in 2024 has reduced the SCR by £6.2m (2023: £7.2m) with the reduced diversification benefit being due to the reduction in Non-Life Underwriting Risk.

Directors' statement in respect of the SFCR

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA rules and the Solvency II Regulations[2].

We are satisfied that:

- Throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the Company.
- It is reasonable to believe that the Company has continued to comply subsequently and will continue to comply in the future.

Approved on behalf of the board by:

Signed by:
Simon Wright
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Simon Wright

Chief Financial Officer

08 April 2025

[2] EIPOA Solvency II Regulation was replaced by PRA rules and no longer applies to MICL from 31 December 2024, but did apply during the 2024 reporting period.

External Audit Report

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

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

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2024:

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2024 **('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 and IR.28.01.01('**the Templates subject to audit'**).

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

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

- The 'Summary', 'Business and Performance', 'System of Governance' and 'Risk Profile' sections of the Solvency and Financial Condition Report;
- Company templates IR.05.02.01, IR.05.04.02 and 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 Responsibility Statement'**).

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

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of Motors Insurance Company Limited as at 31 December 2024 is prepared, in all material respects, in accordance with the financial reporting provisions of the Prudential Regulation Authority ('PRA') Rules as supplemented by the permission made by the Prudential Regulation Authority under section 138BA of the Financial Services and Markets Act 2000.

Basis for opinion

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

Conclusions relating to going concern

In auditing the relevant elements of the Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- performing enquiries of management to identify risks or events that may impact the Company's ability to continue as a going concern. We also read minutes of meetings of the Board and its committees to assess whether any events or conditions are present that may cast significant doubts on the Company's ability to continue as a going concern;

- confirming our understanding of management's going concern assessment process and obtaining management's assessment which covers up to 30 April 2026.

- considering the solvency and liquidity position of the Company under different stress testing scenarios. We read the Company's agreement with AmTrust Financial Services Inc., related to the maintenance of solvency capital; and

- assessing the appropriateness of the going concern disclosures made in the financial statements by comparing them with the relevant reporting requirements.

  Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the relevant elements of the Solvency and Financial Condition Report are 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Emphasis of matter – basis of accounting and restriction on use

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

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

Our opinion is not modified in respect of these matters.

Other information

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

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA Rules which have been supplemented by the permission made by the Prudential Regulation Authority under section 138BA of the Financial Services and Markets Act 2000.

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

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

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

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

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

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 relevant elements of the Solvency and Financial Condition Report.

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (UK-adopted international accounting standards, Companies Act 2006 and relevant tax legislation). In addition, we concluded that there are certain significant laws and regulations that may have a material effect on the Solvency and Financial Condition Report including permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We understood how the Company is complying with those frameworks by making enquiries of those charged with governance, management, internal audit and those responsible for legal and compliance matters for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees and inquiring about the Company's methods of enforcing and monitoring compliance with such policies. We also reviewed correspondence between the Company and the regulatory bodies, reviewed the minutes of the Board and its committees and gained an understanding of Company's approach to governance.
- We assessed the susceptibility of the Company Solvency and Financial Condition Report to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiries of those charged with governance, internal audit, and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have

been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the Company's methods of enforcing and monitoring compliance with such policies, and inspecting significant regulatory correspondence.

- The Company operates in the insurance industry, which is a highly regulated environment. As such, we considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Report on Other Legal and Regulatory Requirements

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

Signed by:
Ernst & Young LLP
B5A84ED2BD2D4CF...

Ernst & Young LLP
London
8 April 2025

Business and Performance

Section A

A. Business and Performance

A.1 Business

Name and legal form of undertaking

Motors Insurance Company Limited (MICL)
Jubilee House
5 Mid-Point Business Park
Thornbury
West Yorkshire
BD3 7AG

MICL is a company limited by shares, authorised and regulated by the PRA and regulated by the FCA.

Supervisory authority

MICL is regulated by The Prudential Regulation Authority (PRA). The PRA was created as a part of the Bank of England by the Financial Services Act (2012) and is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The PRA's objectives are set out in the Financial Services and Markets Act 2000 (FSMA).

Prudential Regulation Authority
Bank of England
20 Moorgate
London
EC2R 6DA
Tel 020 7061 4878
PRA.FirmEnquiries@bankofengland.co.uk

MICL belongs to the AmTrust International Ltd (AIL) group of companies. The Group is also supervised by the PRA. MICL is also regulated by the Financial Conduct Authority (FCA). The FCA's registered address is as follows:

Financial Conduct Authority
12 Endeavour Square
Stratford
E20 1JN

External auditor

MICL, together with the wider AmTrust Group in the UK, is audited by Ernst & Young (EY). EY's UK office is located at:

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Shareholders of qualifying holding in the undertaking

The Company is a wholly owned subsidiary of AIL which is a UK Limited Company. AIL is the UK holding company for the AmTrust Group's international insurance operations, whose principal entities are: AmTrust Specialty Limited and Car Care Plan Holdings, including Motors Insurance Company Limited. AIL also owns several ancillary service companies worldwide.

AIL's registered address is as follows:
AmTrust International Limited
Exchequer Court,
33 St Mary Axe
London
EC3A 8AA

The Company's ultimate parent is Evergreen Parent GP, LLC a Delaware registered US limited liability company as general partner of Evergreen Parent LP a Delaware registered US limited partnership (together 'Evergreen').

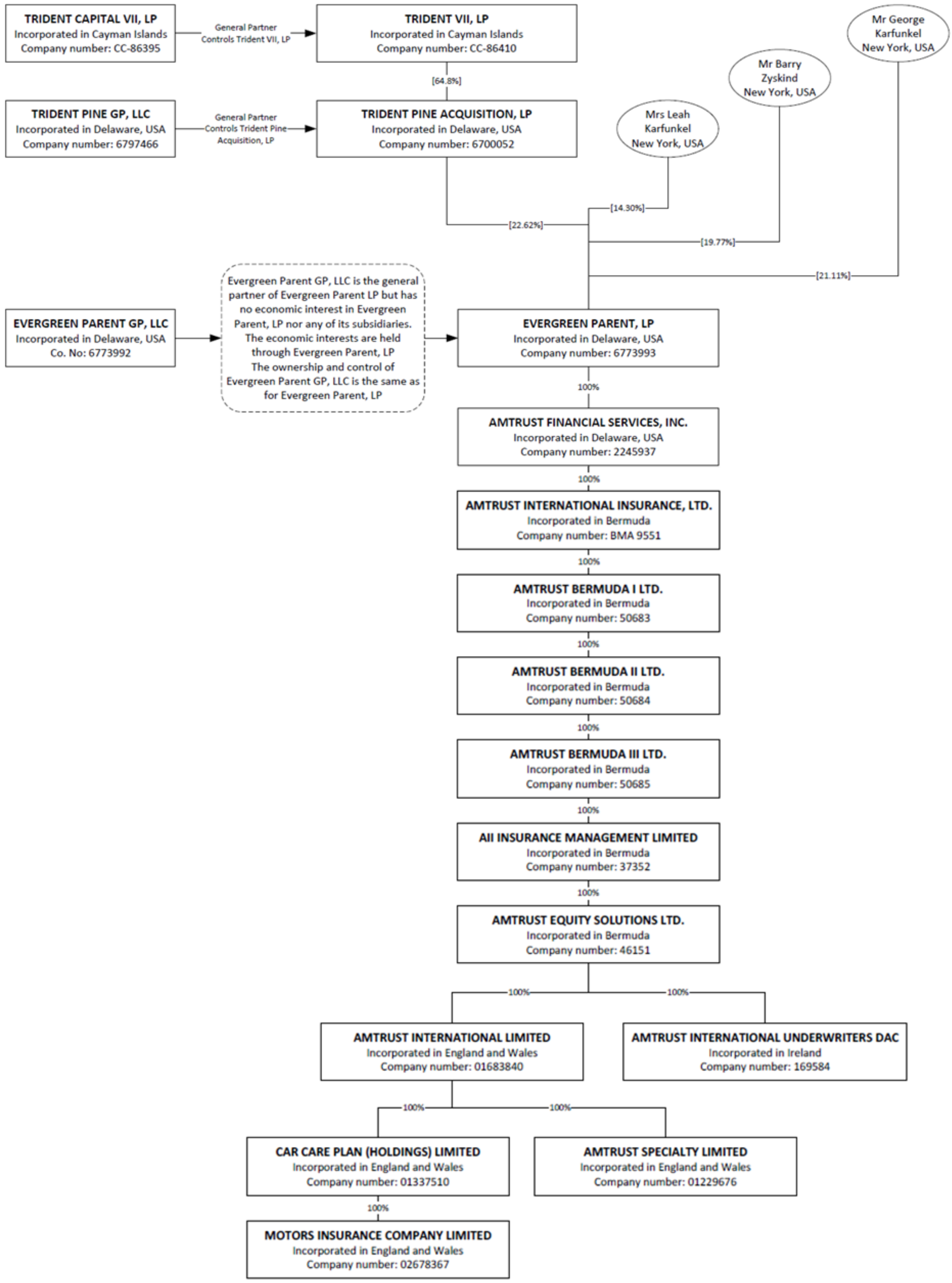
Evergreen's registered address is as follows:
Corporation Trust Center,
1209 Orange Street,
Wilmington, DE, 19801

The name and location of each controller in the firm and proportion of ownership interest held is set out in the following structure chart.

As a member of the AmTrust Group, the Company benefits from financial, operational and management support. The AmTrust Group is a multinational property and casualty insurance group specialising in small to medium sized businesses. With extensive underwriting experience and a prestigious 'A-' (Excellent) Financial Size 'XV' rating from A.M. Best for most of its insurance companies. Commitment to excellence is a common thread connecting each of the AmTrust Group companies. The AmTrust Group's business model focuses on achieving targeted returns and profitable growth with the careful management of risk. The AmTrust Group pursues these goals through geographic and product diversification, as well as, an in-depth understanding of its insured exposure. The product mix primarily includes workers' compensation, extended warranty and other commercial property/casualty insurance products, including title insurance. Workers' compensation and property/casualty insurance policyholders in the United States are generally small and middle market businesses. Extended warranty customers are manufacturers, distributors and retailers of commercial and consumer products. The AmTrust Group has also built a strong and growing distribution of extended warranty and specialty risk products, including liability and other property/casualty products, in Europe.

Position within the legal structure of the group

The following simplified group structure chart shows where MICL sits within the wider AmTrust Group:



Material lines of business and material geographical areas where MICL carries out business

In 2024, MICL's core product line was Mechanical Breakdown Insurance (MBI), in the Miscellaneous Financial Loss Solvency II class of business, Alloy Wheel Repair Insurance, Cosmetic Repair Insurance and Tyre Insurance (ACT), in the Motor Other Solvency II class of business and a small amount of Roadside Assistance (RAS), in the Solvency II Assistance class of business. There was a material change in the amount of Guaranteed Asset Protection (GAP) written in 2024, as MICL temporarily ceased the sale of GAP insurance from February 2024. The FCA's market wide investigation into GAP insurance led to the market voluntarily agreeing to a temporary cessation of product sales. This process resulted in a revised GAP product for MICL that launched in Q4 2024.

The material geographic area was the UK. In 2024 there was a material change in the amount of business written in Europe as a quota share reinsurance agreement with a European based partner ceased.

Material events

On 1st July 2024, MICL (with other companies in the AmTrust Group), made the strategic decision to renew its quota share reinsurance arrangement under which 50% of all written premiums (net of other reinsurances and similar deductions) and claims would be ceded to a highly rated reinsurer (AA- with Standard & Poor's). Whilst MICL's capital position remains comfortably within the Board defined risk appetite since the implementation of Solvency II, the quota share provides additional capital coverage to support future growth. The arrangement has contributed to net written premiums reducing and Solvency II capital coverage stability across the reporting period. The arrangement was renewed on 1st July 2024 on a 'funds withheld' basis.

In addition, as a risk mitigation surrounding volatility in residual vehicle values, a 50% quota share reinsurance agreement was renewed with another large European A+ rated reinsurer for the GAP portfolio, effective for all contracts written after 1st July 2024.

The Company paid a £10m dividend to its shareholder in June 2024.

In May 2024, A.M. Best re-assigned MICL a Financial Strength Rating of A- (Excellent) and a Long-Term Issuer Credit Rating of "a-" due to its balance sheet being assessed as very strong, as well as its strong operating performance, limited business profile and appropriate enterprise risk management.

During 2024, MICL experienced changes in underwriting performance overall as a result of:

- Sectoral inflation being higher than anticipated during the year, exacerbated by some parts supply issues.
- The combined effect of an ageing vehicle parc with newer vehicles with hybrid and electric powertrains resulting in increased claims costs, and
- The market-wide cessation of GAP from February 2024.

This was offset by stable investment performance experienced on the Company's high quality, low risk asset portfolio.

Revisions to pricing and strong underwriting action on a number of programmes, particularly in the second half of 2024, is expected to result in profitable growth for business as this revenue earns through in 2025.

A.2 Underwriting Performance

The Company's Annual Report and Financial Statements are prepared in compliance with UK Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland". The following information on performance is aligned to the position in the Company's Annual Report and Financial Statements.

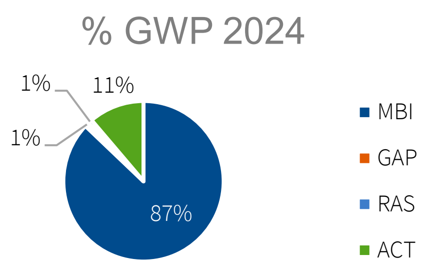
The table overleaf shows the underwriting performance broken down by Solvency II class of business.

2024	Motor (other classes)	Assistance	Miscellaneous financial loss	Total
	£'000	£'000	£'000	£'000
GWP – insurance (direct)	18,369	1,384	140,528	160,280
GWP – accepted reinsurance	-	-	3,336	3,336
Reinsurers' share	(9,607)	(692)	(76,492)	(86,792)
Net written premiums	**8,761**	**692**	**67,372**	**76,825**
Gross premiums earned – insurance (direct)	14,993	1,192	140,552	156,736
Gross premiums earned – accepted reinsurance	-	-	9,885	9,885
Reinsurers' share	(7,280)	(594)	(77,926)	(85,800)
Net earned premiums	**7,713**	**597**	**72,510**	**80,820**
Gross claims incurred – insurance (direct)	8,726	661	113,318	122,704
Gross claims incurred – accepted reinsurance	-	-	6,132	6,132
Reinsurers' share	(4,513)	(330)	(65,566)	(70,409)
Net claims incurred	**4,213**	**331**	**53,884**	**58,427**
Acquisition costs, commissions, claims management costs	**1,760**	**(54)**	**8,754**	**10,460**
Net technical result before other technical expenses	**1,740**	**321**	**9,872**	**11,933**
Other technical expenses incurred net of reinsurance				**10,374**
Net technical result				**1,559**

MICL's Gross Written Premium (GWP) in 2024 was £163.6m (2023: £171.0m), representing a decrease of approximately 4% compared to 2023.

As noted above, MICL's core products are MBI and GAP, in the Miscellaneous Financial Loss Solvency II class of business, and ACT in the Motor Other Solvency II class of business and a small amount of Roadside Assistance (RAS), in the Solvency II Assistance class of business.

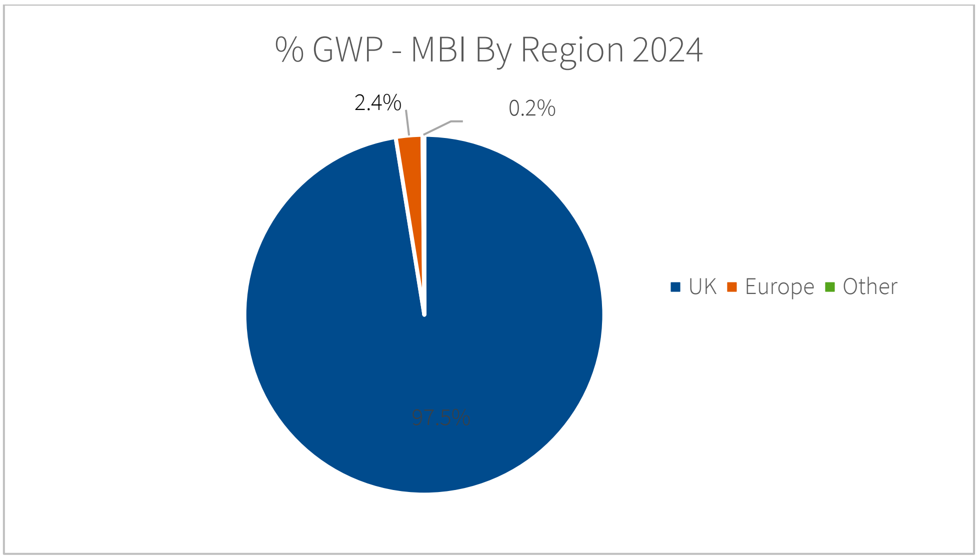
The split of GWP by product is shown below:



Assistance represents less than 1% of GWP. Assistance is only underwritten in the UK.

The technical result was down on 2023, due to the issues described previously. Inflationary pressure on the MBI book from parts and labour rate increases resulted in significant rating action across the book which is expected to result in improved loss ratios in future underwriting years.

The split of MBI GWP by region is shown below:



Material events that affected performance in 2024, were:

- MBI GWP grew by 7% (2023: 11% increase) in MICL's largest market (UK). MBI GWP in mainland Europe was nil in 2024 (2023: 27% increase) due to the termination of reinsurance arrangements with a fellow automotive insurer with effect from 31 December 2023 and was therefore in line with expectations. MBI GWP in other countries increased by 33% (2023: 16% decrease) which mainly related to the reinsurance of programmes from Turkey. The UK market saw the most pressure on profitability in 2024, whilst the international markets generally performed in line with expectations or better.
- GAP is only underwritten in the UK and GWP shrank by 91% in 2024 (2023: 9% increase). The reasons for this change are articulated elsewhere within this report.
- ACT revenue increased during 2024, with GWP growing by approximately 18% (2023: 13% increase) with customers in the UK increasingly recognising the value provided by the product.
- RAS grew by 1% in 2024 and again provided an underwriting surplus. Rating action was still required on this product line due to increased frequencies as post pandemic travelling returned to more normal levels, an older vehicle parc and newer vehicles being more complex to fix at the roadside.

A.3 Investment Performance

MICL invests in a range of high-quality assets consisting primarily of fixed interest debt instruments in the form of corporate and government bonds, and interest-bearing intercompany loans. All of the investments through the reporting period and at the reporting date were directly held. The aim of the investment strategy is to maximise return to the Company whilst minimising risk with respect to the proportion of investments that match the technical provisions. At the reporting date, MICL's investments valued on a Solvency UK basis were as follows:

	2024		2023	
	£'000	%	£'000	%
Corporate bonds	79,866	40.0%	79,216	36.8%
Government bonds	99,128	49.7%	106,313	49.4%
Loans and mortgages	11,719	5.9%	14,727	6.8%
Cash and cash equivalents	8,758	4.4%	14,896	6.9%
Total	**199,471**	**100%**	**215,152**	**100%**

The Company's fixed interest debt instruments are managed as a single portfolio. During the year the portfolio yielded £3,500k in coupons (2023: £3,234k), £2,143k in unrealised gains (2023: £5,589k gains) and £1,331k in net realised gains (2023: £1,799k losses). The investment management expenses in connection with the portfolio were not material.

In 2019, the Company made a loan to a wholly owned company within the AmTrust Group. The loan was made on an arm's length basis and accrues interest at a fixed amount above the SONIA interest rate. During the period the loan accrued £771k (2023: £942k) in interest. During the period, £2.0m (2023: £4.1m) of the principal of the loan was repaid.

The Company maintains cash balances to meet working capital requirements, and also as part of its asset and liability matching strategy in respect of foreign currencies. The Company received interest of £487k (2023: £219k) from its cash deposits during the period.

The Company did not recognise any investment gains or losses directly in equity during the period (2023: £nil).

A.4 Performance of other activities

There have been no other significant activities undertaken by MICL other than its insurance, investment and related activities.

There were no leasing arrangements for either financial or operating leases during the year to 31 December 2024, or the preceding year.

A.5 Any other information

There is no other material information applicable to this section of the document.

System of Governance

Section B

B. System of Governance

B.1 General information on the system of governance

The Board and System of Governance

MICL, as part of the Car Care Plan Group, has developed a system of corporate governance to ensure that there is a clear process of decision making, combined with accountability and transparency.

In early 2025, significant work has been undertaken to separate MICL's systems of governance from those within the wider Car Care Plan Group. This section of the report details the governance structure as at 31 December 2024, which includes certain Car Care Plan Holdings (CCPH) committees whose terms of reference include MICL. The changes being made in 2025 are not reflected within this report.

The Board bears the ultimate responsibility for setting and achieving MICL's strategy and putting in place appropriate systems and infrastructures to manage the associated risk in its business model. In line with established best practices within the insurance market, MICL follows the "Three Lines of Defence" model of risk management and internal control.

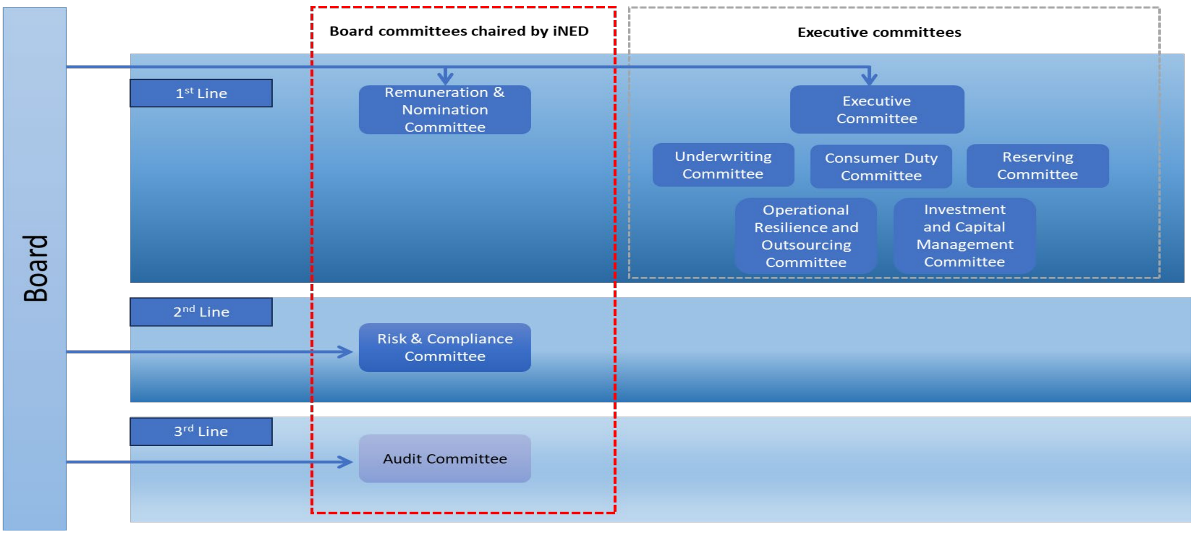
First Line Activities	Second Line Activities	Third Line Activities
Management has ownership, responsibility, and accountability for identifying, assessing and managing risks. Functions and committees are designed by the Board and SMF 1 to: • Manage risks • Design and implement controls • Measure control effectiveness	Specialist functions provide oversight and challenge of First Line Activities. These functions monitor and assist with the implementation of effective risk management undertaken by First Line Activities and assist with the reporting of risk. The Compliance and Risk Management functions are Second Line Activities.	Internal Audit is an independent oversight function, providing assurance, via risk based internal audits, that the First and Second Line Activities are adequate. The Internal Audit function reports directly to the Audit Committee and provides oversight of First and Second Line Activities.

B.1.1.1 Board and Committee Structure

MICL currently has two Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors. The Executive Directors are heavily involved in the day-to-day running, governance, and oversight of the business.

CCPH has its own corporate governance framework in place to meet the relevant regulatory requirements. This framework consists of its own Board and Committee structure and systems of internal control.

The Company's key committees are depicted below:



The tables below provide an overview of the purpose of each of the committees highlighted in the above diagram, identifying whether these sit within the first, second or third line of defence.

MICL BOARD OF DIRECTORS	
FIRST LINE	
Purpose: – Manage the business of the Firm in accordance with best practice in the insurance industry and applicable legal and regulatory obligations. – Agree and oversee the implementation of the Firm's culture, strategy, risk appetite, business plan and policies. – Establish a management structure, governance arrangements and an internal control framework that meet the applicable law and regulation, and that support the achievement of the Firm's strategic aims. – Oversee the management of the Firm in accordance with the goals of the Firm's parent company, especially with regard to optimising underwriting performance over the cycle. – Monitor and oversee the Firm's operations against the requirements set out in the Senior Managers and Certification Regime. – Ensure continuous compliance with the requirements and the appropriateness of the USP and provide review and approval of the USP SCR calculation.	
Reporting	To the CCPH Board

CCPH EXECUTIVE COMMITTEE	
FIRST LINE	
Purpose: – Deal with the day-to-day activities of the business. – Develop and implement business plans, policies, procedures, and budgets that have been recommended and approved by the Board or relevant Committee. – Monitor the operating and financial performance of the business, including capital vs. solvency requirements. – Implement the policy and strategy adopted by the Board and deal with all operational matters affecting the business. – Of its own motion or at the request of the Board, promptly give or make available to the Board such information, reports, and other documents to enable the Board to carry out its duties.	
Reporting	To the CCPH, MICL and CCPL Board

CCPH REMUNERATION & NOMINATION COMMITTEE
FIRST LINE
Purpose: – Review and approve the applicable remuneration policy. – Review the composition of the Board, executive management, and Senior Manager Function holders. – Approve the appointment and remuneration terms of Senior Manager Function holders, Executive Committee members and other employees, including any Certification Function holder, with a proposed fixed base annual salary in excess of £150,000. – Comment on material changes to relevant pension and other benefit plans. – Annually review the Solvency UK employee list and review their performance ratings and recommendations for performance related compensation. – Review the Succession Plan for the Board, Senior Manager Function holders and executive management.

– Review people and culture key performance indicators associated with employees and culture.	
Reporting	To the CCPH, MICL and CCPL Board

CCPH CONSUMER DUTY COMMITTEE	
FIRST LINE	
Purpose: – Oversee the conduct of business across the entirety of CCP's operations, ensure appropriate management of conduct risk and safeguard the needs of CCP's customers; – Monitor the performance of outcomes testing in the four Consumer Duty outcomes; Product & Services, Price & Value, Consumer Understanding and Consumer Support; – Define and continuously review the Consumer Duty Framework and Consumer Duty Appetite and recommend approval to the CCPH Risk and Compliance Committee and the Board; – Take appropriate action, including escalation to the CCPH Risk and Compliance Committee and the Board, where the Committee judges CCP to be outside of its Framework or its stated Risk; – Oversee the Product Governance process within the business in compliance with the FCA PROD Rulebook. – Annually approve all products, and on an ad-hoc basis approve new and/or existing insurance products that have been significantly changed; – Regularly assess the value and utility offered under our Product Manufacturer responsibilities; and – On at least an annual basis identify and define the target market for CCP products and where a product sits outside this defined target market, take appropriate action.	
Reporting	To the CCPH Executive Committee

MICL RESERVING COMMITTEE	
FIRST LINE	
Purpose: – Ensure the Firm books appropriate loss ratios on a gross and net basis (i.e., after reinsurance) and hence maintains appropriate levels of reserves. – Ensure the accuracy of the Firm earning patterns and hence maintains appropriate levels of reserves. – Determine and recommend reserving methodology for the business underwritten by the Firm. – Ensure the reserving process for the firm is effective in providing the Board with the agreed level of comfort that the reserves in the Financial Statements are appropriate. – Ensure the process is conducted in accordance with agreed timelines. – Ensure that the process for establishing the Solvency II technical provisions is appropriate.	
Reporting	To the CCPH Executive Committee

MICL UNDERWRITING COMMITTEE
FIRST LINE
Purpose: To monitor: – Underwriting performance of each line of business against the approved risk appetite and business plan and report any exceptions to the Executive Committee. – Pricing adequacy of each line of business against the approved risk appetite and business plan and report any exceptions to the Executive Committee. – Reinsurance programme adequacy and usage.

– Adherence to underwriting policies, guidelines, authorities, processes, and procedures, and to report any exceptions to the Executive Committee and / or the Conduct Committee, as appropriate. – The insurance and reinsurance underwriting risk profile, exposures at risk and aggregate level and the steps that have been taken to monitor and control such exposures. – Claims movements and large losses. – Bordereau receipt and processing. – Credit risk associated with underwriting, including counterparty default risk and credit exposure. – Independent Expert Review reports and recommended actions. – Review and approve new or renewal business on which any of the relevant terms of the deal exceeds the underwriting authority level of the Chief Executive Officer.	
Reporting	To the CCPH Executive Committee

OPERATIONAL RESILIENCE AND OUTSOURCING COMMITTEE	
FIRST LINE	
Purpose: – Developing and overseeing operational resilience framework. – Overseeing and monitoring outsourcing to AmTrust Management Services Limited (an AmTrust group company) and Car Care Plan Limited. – Overseeing and monitoring other operational outsourcing arrangements. – Approval of new outsourcing arrangements and the renewal of existing arrangements.	
Reporting	To the CCPH Executive Committee

MICL INVESTMENT AND CAPITAL MANAGEMENT COMMITTEE	
FIRST LINE	
Purpose: – Supervise the day to day stewardship of invested assets by its appointed internal and external investment managers. – Establish the investment strategy, policies, and procedures, and monitor these according to the Company's agreed risk appetite and risk tolerances supported by the Risk Management and Compliance functions. – Make recommendations to the MICL Board and CCPH Risk and Compliance Committee for those items requiring consultation and approval. – Review, approve and/or monitor capital model development, capital results and forecasts. – Ensure that the Firm's capital remains within the Risk Appetite approved by the Board. – Oversee, review, and recommend for approval, the USP SCR calculation and communicate recommendation to the RCC and the Board.	
Reporting	To the CCPH Executive Committee

CCPH RISK AND COMPLIANCE COMMITTEE
SECOND LINE
Purpose: – Provide advice to the Board on risk strategy, including the oversight of the Firm's risk exposures, with particular, but not exclusive, emphasis on risks of regulatory concern. – Develop proposals for consideration by the Board in respect of the setting of risk appetite, tolerance levels and the metrics to be used to monitor CCP's risk management performance.

– Review the effectiveness of the Firm's risk management framework and compliance assurance programme. – Provide oversight and challenge of the design and execution of stress and scenario testing. – Provide oversight and challenge of the day-to-day risk management and oversight arrangements of the Executive Committee. – Provide oversight and challenge of the due diligence of risk issues relating to material transactions and strategic proposals that are subject to approval by the Board. – Provide advice to the Remuneration and Nomination Committee on risk weightings to be applied to performance objectives incorporated in the incentive structure for the Executive Committee members. – Oversee, review, and recommend for approval, the USP SCR calculation and communicate recommendation to the RCC and the Board.	
Reporting	To the CCPH, MICL and CCPL Board

CCPH AUDIT COMMITTEE	
THIRD LINE	
Purpose: To monitor: – Oversee the firm's policies and processes for financial and prudential regulatory reporting and ensure the propriety and effectiveness of internal and external audit arrangements. – Monitor the effectiveness of the internal financial controls regarding the financial report. – Approve the Internal Audit Plan and receive reports from Internal Audit on the effectiveness of internal controls. – Monitor the statutory audit of the annual financial statements. – Make a recommendation for the appointment of the external audit firm. – Review and monitor the external auditor's qualifications and independence. – Review and monitor the suitability of the provision of non-audit services to the firm. – Review and monitor compliance by the firm with legal and regulatory requirements relating to audit and financial reporting functions; and review and monitor the firm's internal audit function. – Review the adequacy and security of the firm's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.	
Reporting	To the CCPH, MICL and CCPL Board

Senior Management Functions

Under the Senior Managers and Certification Regime, MICL is classed an enhanced firm. Senior Management Functions have been allocated as follows:

SMF Number	SMF Role	Allocation – MICL Role	Name
SMF 1	Chief Executive	Group Chief Executive Officer	Ben Russell
SMF 2	Chief Finance Function	Group Chief Financial Officer	Simon Wright
SMF 3	Executive Director	Not Applicable	Not Applicable
SMF 4	Chief Risk Function	Group Chief Risk and Compliance Officer	Gavin Tinch
SMF 5	Head of Internal Audit	Head of Internal Audit	Valisher Ibragimov
SMF 6	Head of Key Business Area	Not Applicable	Not Applicable
SMF 7	Group Entity Senior Manager	AIL Chief Executive Officer	Peter Dewey

		AIL Head of HR	Helen Challis
		AIL General Counsel	Jeremy Cadle
SMF 9	Chair	Independent Non-Executive Director and Chair	Jo Fox[3]
SMF 10	Chair of the Risk Committee	Independent Non-Executive Director	Bob Brannock
SMF 11	Chair of the Audit Committee	Independent Non-Executive Director	Liz Blythe
SMF 12	Chair of the Remuneration Committee	Independent Non-Executive Director	Bob Brannock
SMF 13	Chair of the Nominations Committee	Not Applicable	Not Applicable[4]
SMF 14	Senior Independent Director	Not Applicable	Not Applicable
SMF 16	Compliance Oversight	Group Chief Risk and Compliance Officer	Gavin Tinch
SMF 17	Money Laundering Reporting Officer	Group Chief Risk and Compliance Officer	Gavin Tinch
SMF 18	Other Overall Responsibility	Not Applicable	Not Applicable
SMF 20	Chief Actuary	MICL Chief Actuary	Dave Kelly
SMF 23	Chief Underwriting Function	MICL Chief Underwriting Officer	Tony Hayward
SMF 24	Chief Operations Function	Group Chief Operating Officer	Andrew Radi

Full details of their responsibilities are documented in MICL's Responsibilities Map.

Certification Regime Roles

The business has identified the Group Head of Finance, CCPL Sales Director, and Group Operational Resilience and Outsourcing Manager as Certification Regime Roles. Full details of their responsibilities are documented in each individual's role profile.

Remuneration

B.1.1.2 The Key Principles of the Company's Remuneration Policy

- Provide market competitive pay, typically aimed at market median for the business sector, role, and location of the relevant employees; Individual pay rates may fall above or below market median based upon experience, tenure and performance in role as well as the market supply and demand for a particular skillset.
- Enable the Company to attract and retain the right talent for the business at an appropriate and sustainable cost.
- Provide market-appropriate pay structures which include a role-appropriate level of variable pay in line with market norms and an appropriate benefits programme.
- Ensure that pay programmes are aligned to the Company's business strategy, culture, risk appetite statements, codes of conduct and applicable regulations and reward only behaviour with both short and long term performance taken into consideration as appropriate.
- Ensure the appropriate governance and independence as it relates to pay decisions and the appropriate scrutiny as it relates to key employees, including those designated as Solvency II employees.
- No member of the Remuneration and Nomination Committee is involved in deliberations or decision making on his/her own pay or the pay of the other members of the RemNomCo.

[3] Jo Fox was appointed to the MICL Board on 3 December 2024, with an application for the role of SMF 9 Chair submitted to the FCA and PRA in early 2025.

[4] SMF 13 role not applicable due to FCA overlap rule

B.1.1.3 Variable Pay

- Variable pay and the associated programmes and awards are structured according to the nature of the role and its position within the business.
- Fixed and variable pay are broadly aligned to market norms, with a sufficiently high proportion of pay delivered in fixed form to be competitive with market median levels and appropriate on a role-by-role basis.
- The proportion of pay delivered through variable remuneration generally increases with seniority within the organisation. This reflects the increased ability to impact the success of the organisation with increased seniority and is in line with general market practice.
- Variable pay awards are designed to take into consideration both individual and Company performance as appropriate for the role. Individual performance is assessed based upon performance against objectives (financial and non-financial) and also in line with the Company's competency framework. Company performance is aligned to agreed financial metrics.
- All variable pay programmes allow for no awards to be made based upon either individual and/or Company performance.
- All programmes allow flexibility and discretion which permit the Board, Remuneration and Nomination Committee and management to ensure appropriate awards are made in all circumstances.
- To ensure that the Company's senior employees (including the Company's Solvency II Employees) are aligned not only to the annual goals of the Company but equally as importantly, the long-term success of the business and group, a substantial portion (50%) of any variable pay award in excess of a set threshold, is deferred and payable in equal amounts over a multi-year period, typically 3 years.
- To ensure alignment to risk, culture and performance of the business, provisions exist so that the Remuneration and Nomination Committee has the ability not to permit payment of some or all of the tranches of the award.

B.1.1.4 Pensions

The Company's remuneration policy does not include any supplementary pension or early retirement schemes for members of the Board or other Senior Management Functions.

Material transactions with shareholders, persons with significant influence and Board members

During 2019, the Company made a loan to another wholly owned company within the AmTrust Group. The loan was made on an arm's length basis and accrues interest at a fixed amount above the SONIA interest rate. In 2024, a £2.0m (2023: £4.1m) repayment of principal was made.

The Company paid the following dividends to its shareholder during 2024:

- £10m in June 2024

In relation to remuneration, there were no material transactions during the reporting period with shareholders, with persons who exercise a significant influence in the undertaking or with members of the Board, with the exception of normal compensation and incentive payments.

Adequacy of the system of governance

The Board is satisfied that the system of governance of the Company is adequate for the nature, scale, and complexity of the risks inherent in its business.

As highlighted previously, a governance project to draw a more defined line between MICL and its sister company, Car Care Plan Limited, began in January 2025. Historically, both entities were governed symbiotically, however the latest regulatory initiatives on Operational Resilience and Outsourcing highlighted a greater need for autonomy of insurance carriers. The project will result in more defined responsibilities across the two sister companies and will have a positive impact on the governance structure across the wider Car Care Plan Group, including MICL.

B.2 Fit and Proper Requirements

Fit and Proper Policy and Procedures

The purpose of the Fit and Proper Policy is to explain the rules and processes the Board has adopted to establish compliance with the regulatory requirements associated with the fitness, propriety, skills, and knowledge of its employees. MICL is committed to ensure that:

- All employees have the skills, knowledge, and expertise necessary for the discharge of the responsibilities allocated to them.
- The Company's systems and controls will enable it to satisfy itself of the suitability of anyone who acts for it. This includes assessing an individual's honesty and competence.
- Any assessment of an individual's suitability will take into account the level of responsibility that the individual will assume within the Company.
- Ongoing training and development of individuals within the business is completed to ensure they continue to possess the skills and knowledge to discharge their responsibilities.

B.2.1.1 Fitness

MICL will ensure that individuals promoted to, or recruited for, Senior Management Functions (SMFs) or Certification Regime Roles have relevant qualifications, knowledge, and experience in the following areas (where applicable to the role):

- Insurance and financial markets
- Business strategy and business model
- Systems of governance
- Financial and actuarial analysis
- Regulatory framework and requirements.

B.2.1.2 Propriety

MICL will assess an individual's honesty and financial soundness based on relevant evidence regarding their character, personal behaviour, and business conduct. This includes any criminal, financial or supervisory aspects, regardless of jurisdiction.

To help ensure the on-going fitness and propriety of those employees in SMFs or Certification Regime Roles, MICL conducts an annual Fit and Proper Assessment.

The assessment is completed by all employees designated as SMFs or Certification Regime Roles. This process is supported by:

- An up-to-date role profile, which details the individual's responsibilities, expected behaviours, skills, and qualifications.
- Individual Development Plans (IDPs) to ensure on-going competence.
- Completion of any Continuing Professional Development (CPD) requirements applicable to the role.
- The annual performance review process, which includes mid-year reviews, annual reviews, and the development of IDPs.

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

Risk Management Strategy

Risk management at MICL is an on-going process providing for the systematic analysis, management, monitoring, and reporting of risks. This process ensures that the Board, Senior Management Functions, Certification Regime role holders and management have a current overview of the risk profile of the Company and allow sufficient time for the appropriate handling of risks at an early stage.

The overall risk management strategy of the Company is to support the Board in executing and monitoring the current and future business strategy, by the implementation of a robust and pragmatic risk management framework.

The Company's objectives for risk management are to:

- Provide the appropriate level of risk information to the Board and its committees to support the decision making process.
- Promote a risk culture which reflects that of the key stakeholders and the Board.
- Ensure that all significant risks to the business strategy and plan are identified, measured, assessed, prioritised, managed, monitored, and treated in a consistent and effective manner across the organisation.
- Ensure that risks which have the potential to lead to poor outcomes for consumers are identified and managed appropriately.
- Support the Board in agreeing key risk appetite statements based on the Company's ability to bear risk.
- Provide appropriate and reliable risk management tools (including key risk indicators, loss databases, risk and control self-assessments and stress and scenario testing) are deployed to support risk management, particularly management reporting, decision making and capital assessment.
- Ensure the business remains well capitalised at all times via regular performance of the Own Risk and Solvency Assessment (ORSA) of which risk management is a component.
- Ensure all directors, management and staff are accountable for managing risk in line with their roles and responsibilities in respect of risk management.
- Establish ongoing compliance with all relevant legislation, regulatory requirements, guidance, and codes of practice.
- Provide key stakeholders with timely, dependable assurance that the organisation is managing the significant risks to its business within the risk appetites and tolerances agreed.
- Assess the efficiency of the policies and processes for countering the risk that the firm might be used to further financial crime.
- Ensure that the risk strategy aligns with the business strategy and desired culture of the organisation.

The risk management framework is designed to support the effective management of risk and to provide for Three Lines of Defence.

B.3.1.1 First Line of Defence

Accountability and Oversight

The Board has the ultimate accountability for the risk and related control environment, and approves the risk policies, risk appetites and the relevant tolerance limits.

Risk Ownership

All risks are assigned to a risk owner, who are typically Heads of Department. The risk owners are responsible for managing and co-ordinating all aspects of the risks, ensuring that appropriate controls are in place, ensuring that relevant information is available and assessed, and ensuring that management are aware of the risks and involved in decision making where appropriate in conjunction with the Risk Management Function.

Risk owners are required to ensure that the Risk Management Function is provided with any information that they think is relevant to the current risk environment. This would include any material changes to the perceived severity of the risk or likelihood, and any risk events or 'near misses' that have occurred.

Additional risk oversight is also provided by specified committees, or by senior individuals with recognised expertise and experience. This includes input to relevant risk policies and the control environment, ensuring that the interests and responsibilities of the stakeholders are reflected in the policy.

Control Ownership

Risk owners are responsible for the effective design and operation of suitable controls. The control owners are required to:

- Perform periodic control self-assessments as directed by the Risk Management Function.
- Inform the Risk Management Function of any material failure in the design, improvements needed or operation of a key control.
- Take any actions required to address control issues on a timely basis identified through day-to-day activities, control assessments, internal audits, or other assurance activities.

MICL recognises the importance of successfully articulating and integrating risk management into the organisation's business culture.

B.3.1.2 Second Line of Defence

Risk and Compliance Committee

Management oversight is delegated to the Risk and Compliance Committee (RCC) supported by the Risk Management Function which oversees the day to day management of risk.

The Board meets on a regular basis and is presented with an overview of key risks, as well as being informed of relevant information through functional reports. Feedback arising from discussions, as well as information on other risk developments is reported back to the Risk Management Function and incorporated into the framework where relevant.

The RCC is a sub-committee of the Board which operates under an agreed terms of reference that sets out the roles and authorities of the committee. The RCC responsibilities include:

- Oversight of senior management's responsibility to manage the risk profile within the risk tolerances and limits set by the Board.
- To be the owner of the corporate risk register and to be responsible for reviewing it on a regular basis to ensure that the key risks are recorded and are being effectively managed.
- To develop, implement and monitor the risk management policy and guidelines.
- To define risk appetites for review and approval by the Board.
- To advise the Board on the development and implementation of the risk management policy and guidelines and on related matters.
- Review and escalation, as appropriate, of all risk issues and violations.
- Provide details of its activities to the Board.

Risk Management Function

The role of MICL's Risk Management Function is to design and implement a Risk Management System appropriate to the size and complexity of the business.

The purpose of the SMF4, Chief Risk Function, is to lead the MICL Enterprise Risk Management (ERM) Framework. The responsibilities include:

- Managing the implementation of all aspects of the risk function, including implementation of processes, tools, and systems to identify, assess, measure, manage, monitor and report risks.
- Assisting in the development of and managing processes to identify and evaluate business areas' risks and risk and control self-assessments.
- Managing the process for developing risk policies and procedures, risk limits and approval authorities.
- Monitoring major and critical risk issues.
- Conducting compliance and risk assessments.
- Defining and producing risk related policies, procedures, processes, and other documentation as required.
- Ensuring the risk management framework is effectively integrated into product development and delivery methodology; and
- Identifying and managing financial risks from climate change.

B.3.1.3 Third Line of Defence

Functions in the third line provide independent assurance and challenge across all business functions in respect of the integrity and effectiveness of internal controls and risk management. It is possible to view the second line of defence as providing pro-active control over risk and the third line of defence as providing more reactive control over risk. Internal Audit undertakes the third line of defence.

B.3.1.4 Risk Management Assurance

During 2024, the AmTrust International Limited Internal Audit team conducted an audit on MICL's Risk Management Function. The objective of the audit was to provide an independent assessment and assurance related to the adequacy, effectiveness, and sustainability of processes and controls within the Risk Management Function.

The audit covered the period from 1st March 2023 to 29th February 2024 with focus on the following areas:

- Risk Governance:
  - Governance structure (including roles and responsibilities, and SM&CR (Senior Manager and Certification Regime) considerations).
  - Composition and effectiveness of the relevant governance forum(s).
  - Risk management policies and procedures.
  - Risk appetite and tolerance limits.

- Risk Identification and assessment:
  - Qualitative and quantitative risk assessment.
  - Internal controls.
  - Risk documentation.
  - Emerging risks and horizon scanning.

- Risk monitoring:
  - Continuous monitoring via routine measures and checks.
  - Coordination with other assurance providers in 2nd and 3rd Lines of Defence.
  - Risk and control owner reviews.
  - Risk events, breaches, and escalations.

- Risk Reporting:
  - Management information provided to the relevant governance forum(s), including CRO opinion/reports.
  - Timely and accurate management information.

The internal audit concluded that the control environment was "Satisfactory" with a "Defined" risk and control culture. Overall, Internal Audit concluded that MICL had adequate governance and monitoring activities in place, which were supported by a comprehensive risk management framework and other risk-related policies and procedures.

Own Risk and Solvency Assessment (ORSA)

B.3.1.5 ORSA Process

The ORSA is the responsibility of the Board, which provides leadership and challenge. Day to day administration of the ORSA is delegated to the Group Chief Risk and Compliance Officer with oversight from the RCC.

The ORSA process is closely linked to the strategic business planning process. The business plan is constructed by analysing product and market specific factors, with realistic assumptions applied for development. New business opportunities are evaluated for each market and claims ratios are established based on historical performance and a realistic assessment of future performance, taking into account any relevant factors such as regulatory changes or policy revisions. The business plan is prepared on a three-year time horizon. The business plan includes a solvency forecast, which details the forecasts for MCR and SCR.

The key objective of the MICL ORSA is to document the business' risk profile and capital requirements, and to assess whether the ERM framework and solvency position within the business is appropriate. The ORSA is also designed to provide a forward-looking assessment of the solvency position within the Company. The ORSA forms part of the broader ERM framework in place within the business and is based upon the Company's strategy and business plan for a 3-year forward-looking period.

The ORSA report documents the processes undertaken within MICL to assess its risks and describes the link between risk management and the capital assessment and strategic planning processes. Whilst MICL's Regulatory Capital is determined by the Standard Formula approach with the use of an Undertaking Specific Parameter (USP) on the premium risk element in the Miscellaneous Financial Loss (MFL) Line of Business (LoB), the ORSA is based on a Stochastic Capital Model, which supports the assessment of the Risk Based Capital required by the business.

The ORSA Policy outlines the requirements the Board has put in place to establish:

- Compliance with the regulatory requirements;
- A formal process for the completion and submission of the ORSA Report;
- How the ORSA can be used within the business to inform business strategy and decisions; and
- The appropriate processes, assessment and documentation required when considering the nature, scale, and complexities of the risks within the business.

The policy establishes the business rules and processes required to establish on-going compliance with the regulatory requirements. The policy sets out the Board's requirements in relation to the development of appropriate, adequate, and proportionate techniques to establish continued compliance with the rules applicable to the PRA Rulebook. The policy sets out to:

- Describe the processes in place to conduct the ORSA;
- Detail the frequency of the assessment and the timing for the performance of the ORSA and the circumstances which would trigger the need for a forward-looking assessment of own risks outside of the regular timescales;
- Describe what documentation must be retained for each ORSA and its outcome;
- Establish a process to ensure communication to all relevant staff of the results and conclusions regarding the ORSA, along with a Board approval process; and
- Explain how the results of the ORSA will be used within the business.

MICL completes its full ORSA process annually, on a 'business as usual' basis. This is considered appropriate because many of the key processes which form the ORSA process are carried out each quarter and this provides sufficient information to management.

Ad-hoc ORSAs are conducted whenever there are material changes to the risk profile. The circumstances that may trigger an additional ORSA include (but are not limited to):

- Material acquisitions impacting upon the Company's current approved business plan;
- Material new business not previously identified within the current business plan;
- Intention to write new lines of business not previously identified within the current business plan;
- Solvency ratio within the red zone or below as identified in the Risk Management Framework; and
- Significant risk event crystallisation.

An ad-hoc ORSA may not require the full process to be undertaken. It will be proportionate to the nature and scale of the event which has triggered it.

The ORSA and the ORSA Policy is reviewed and approved by the Board at least annually.

B.3.1.6 Capital Planning and Management

Capital planning combines and leverages a number of planning and risk management processes, including annual budgeting processes, strategic planning, stress testing, material risk identification, risk appetite, liquidity risk management, ORSA and economic capital.

Responsibility for the capital planning process lies with the Board.

Responsibility for day-to-day execution and ownership of the deliverables for the Board to make Capital Planning decisions lies with the Executive Committee and the Investment and Capital Management Committee.

The Company's capital planning framework incorporates the following key elements:

- An annual Own Risk and Solvency Assessment (ORSA) appropriately documented which is based on MICL's Stochastic Capital Model and incorporates stress tests and scenario analyses taking into account an appropriate range of adverse circumstances and events relevant to the Company's business and risk profile. This is reviewed by the Board on an annual basis, or more frequently if the risk profile of the business changes significantly.
- Reverse stress tests to evaluate the circumstances under which MICL's business model may fail. This is reviewed and approved by the Board on an annual basis as part of the ORSA process.
- Solvency Capital Requirement (SCR) computations performed in line with PRA requirements and compared to the capital position held within a Solvency II balance sheet produced simultaneously. This comparison will be reviewed by management and shared, as required, with the regulator on a regular basis.
- 3 year forward looking projections of the SCR and Own Funds (to the next 3-year ends) prepared at least annually or more frequently as required.
- Details of any planned capital actions, including an assessment of those actions on MICL's capital adequacy and capital quality.
- Contingency plans in the event that sources of capital are no longer viable.

Capital, Financial Forecasting and Scenario Modelling is an outsourced AIL Group function, with the objectives of:

Capital

- Build and maintain the Capital Projection Models used to assess the forecast capital requirements of each entity
- Support to the Risk Management Functions of AIL Group companies to quantify the risks identified
- Provide input into the financial planning process

Financial Forecasting and Scenario Modelling

- Build and maintain the Financial Forecast Model
- Provide three-year P&L and Balance Sheet Forecasts for the annual business planning process and updated forecasts on a regular basis
- Provide GAAP inputs into the Capital Management Process
- Use the model to assist in business decisions e.g., reinsurance purchasing.

MICL manages its capital position within operating guidelines that have been approved by the MICL Board.

- All capital at the time of implementation of Solvency II was assessed as to its classification under chapters 3B, 3E, 3I, 3G of the Own Funds section of the PRA Rulebook.
- If additional capital is required, the various classifications of capital would be considered, and the new capital created in such a way to create the desired output. Management will consider the various capital options on a tier-by-tier basis in making any decisions.
- Current capital items are not considered complex, and management are confident they are aware of the various restrictions and requirements associated with them. Any future capital items would need

approval by the MICL Board and any terms attaching thereto would be considered by the relevant members of the management team as appropriate.

- In the event that the operating guidelines are breached, any breach will be reported to the MICL Board with appropriate supporting analysis and a recommended course of action to remedy the breach.

Any dividend or capital distribution of any kind requires the approval of the MICL Board. MICL also obtains any required regulatory approvals prior to the payment of any dividends or similar capital distributions.

The Board's capital management activities are subject to periodic review by internal audit. The review should include compliance with this framework, the accuracy and completeness of reporting, and other control elements.

During 2022, an independent validation exercise on MICL's Solvency II TPs and standard formula SCR processes was completed. The firm appointed:

- Performed a desktop review of documents provided and assessed against their understanding of the rules and requirements,
- Held walkthroughs to understand the process, approach assumptions, methodology and governance in place,
- Performed a deep dive review into the elements of calculation relating to multi-year contracts which include the premium provision in the TPs and the future premium elements of the SCR,
- Reconciled the key inputs to source for the standard formula calculation,
- Provided a report on key findings.

No material issues in terms of a potential misstatement of the solvency position were identified, although a number of recommended process improvements were identified, all of which have since been implemented.

B.4 Internal control system

MICL's internal control system includes governance arrangements, policies, standards, and procedures to ensure that the internal controls throughout the Company are effective and efficient in identifying, preventing, detecting and correcting operational deficiencies and any non-compliance with applicable rules and regulations. The Three Lines of Defence model, described previously, is adopted within the business.

The Compliance Function provides oversight to ensure that the Company and its employees are complying with regulatory requirements and internal policies and procedures. The Compliance Function is implemented based on a compliance strategy, framework, and business processes. This includes the development of an annual Risk and Compliance Plan that reflects the Company's highest risks, a compliance monitoring programme, a policy framework, compliance training and an issue management system.

B.5 Internal Audit function

The key function holder for the Internal Audit function is the Head of Internal Audit.

The Internal Audit function is a global AmTrust Group function which reports independently to each entity's Audit Committee. Internal Audit provides senior management and the Audit Committees with information, analysis and recommendations about the adequacy, effectiveness and sustainability of the business operations and internal control environment.

The mission of the Internal Audit function is to help the Board and Executive Management to protect the assets, reputation, and sustainability of the organisation. This is achieved by:

- Assessing whether all significant risks are identified and appropriately reported by Management and the Risk Management function to the Board and Executive Management;
- Assessing whether they are adequately controlled; and
- Challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

Internal Audit is independent from the business and is directly responsible to the Chair of the Audit Committee, with a day-to-day administrative reporting line to the AmTrust Group Chief Audit Officer. Internal audit has free and unrestricted access to the Chair of the Board, the Chair of the Audit Committee, and the CEO. The Head of Internal Audit has full and free access to the Audit Committee including attending all Audit Committee meetings, meeting privately with members at least annually (or more frequently as needed), and individual meetings on a regular basis.

Those working within the Internal Audit function are not permitted to perform day-to-day control procedures or take operational responsibility for any part of the Company's operations outside of Internal Audit. Management is responsible for the establishment and ongoing operation of the internal control system. The Audit Committee reviews the scope and nature of the work performed by Internal Audit to confirm its independence.

B.6 Actuarial function

The MICL Actuarial Function develops, implements, and maintains the actuarial processes and systems that underpin the Company's underwriting activities.

The Actuarial Function has the following main responsibilities:

- Pricing of risks underwritten by the Company;
- Reserving estimates for all classes of business underwritten and monitoring the best estimates against actual experience;
- Developing and maintaining core management information/reporting/analysis on the business underwritten by the Company;
- Providing assistance for the preparation of Business Plans;
- Working with the Risk Management Function to facilitate the implementation of an effective risk management system – including reporting on underwriting performance to the Underwriting Committee and reserve adequacy to the Reserve Committee on a quarterly basis;
- Completing the annual Actuarial Function Report;
- Production of the TPs in accordance with Solvency II principles and ensuring that methodologies and underlying models used are appropriate. Reporting to the Board on the reliability and adequacy of the Technical Provisions calculation;
- Providing inputs into the calculation of the SCR;
- Maintaining an Economic Capital Model for the quantitative analysis requirements of the ORSA and completing the relevant sections of the ORSA document as they relate to the quantitative analysis (note that MICL's Regulatory Capital is determined by the Standard Formula approach as adjusted for the USP);
- Assisting the Finance department in the development and maintenance of robust and repeatable processes surrounding the calculation of regulatory capital requirements from an actuarial and TPs perspective;
- Assisting the Finance department in embedding effective solutions for the timely completion of regulatory reports, including all applicable Quantitative Reporting Templates (QRTs);
- Opining on the overall Underwriting Policy; and
- Opining on the adequacy of Reinsurance arrangements.

The Actuarial Function has representation on each of the Risk and Compliance, Reserve and Underwriting Committees. The Actuarial Function reports into the Group CFO, which maintains the function's independence and reduces the potential for any conflicts of interest from other functions within the business.

Actuarial staff do not have any Finance, Underwriting, or Claims responsibilities and do not have the ability to create or approve underwriting, claims, or accounting transactions/adjustments, thus creating a segregation of duties within the overall technical underwriting process around activities relating to pricing, performance monitoring, reserving, and analysis.

The position of Chief Actuary (SMF20), under the Senior Managers and Certification Regime, is held by the Head of Actuarial.

B.7 Outsourcing

The Outsourcing Policy describes the underlying framework for managing, overseeing, and governing third-party supplier relationships and performance.

The Policy details the business rules in relation to selection, due diligence, on-boarding, monitoring, and enforcement. Its scope covers:

- Outsourcing: a third-party that performs a process, a service, or an activity, whether directly or by sub-outsourcing, which would otherwise be undertaken by MICL itself.
- Intra-group outsourcing: as above except the third-party performing the service is either MICL's parent or another group company (including those outside the UK).
- Key third-party suppliers: while outside the definition of either an outsourced arrangement or intra-group outsourcing, these third-party suppliers are deemed as either high risk or provide a service which is critical to the operation of MICL's business.

The key outsourcing relationships MICL has are:

Service Provider	Service Provided	Service Location
Car Care Plan Limited	Policy Acquisition, Claims Administration, Claims Management and Policy Fulfilment	UK
AmTrust Management Services Limited	Capital Management, Human Resources, Information Technology, Internal Audit, Procurement and Legal Services	UK

The Chief Operating Officer (COO) has overall responsibility for outsourcing and chairs a quarterly Operational Resilience and Outsourcing Committee. The role of the Committee is to ensure that:

- An up-to-date register of all outsourcing, intra-group outsourcing and material third-party supplier arrangements is maintained
- Service level reporting is received for all suppliers on this register
- Regular supplier reviews are carried out to address any service issues
- Where corrective action is agreed, this is carried out within an agreed timescale
- Notifications of material outsourcing are submitted to the regulator as required

There is also a dedicated Operational Resilience and Outsourcing Manager responsible for day-to-day oversight of outsourcing. This role reports directly to the COO and is the Secretary for the Committee.

Quarterly updates on outsourcing, including a copy of the latest outsourcing register, are provided to the RCC and the Board.

B.8 Any other information

MICL believes its system of governance to be proportionate when considering the nature, scale, and complexity of the risks inherent in its business.

Risk Profile

Section C

C. Risk Profile

Overview of Risk Exposure

The Company is exposed to a broad landscape of risks. These include core risks that are taken as part of the Company's insurance operations and are quantified in the Company's Standard Formula model. In addition to these modelled risks, the Company is exposed to further risks that arise from undertaking business, including liquidity, strategic, regulatory, and reputational risk.

Material Changes to the Risk Profile

MICL continues to benefit from the execution of the whole book reinsurance arrangement with a highly rated global insurer which significantly reduces the risk of volatility in prior year development, reducing the exposure to reserve risk. The transaction has been on a funds withheld basis for several years. This mitigates the associated increased direct credit and currency risk of the related receivables, given that the funds remain with the Company.

Quantification of Modelled Risks by Risk Category

The table below sets out the quantification as at 31 December 2024 of MICL's modelled risk categories and the related movements over the preceding twelve months. The figures represent the loss for each risk category that is likely to be exceeded only once in two hundred years. Due to diversification, the total risk of the Company is lower than the sum of the individual categories.

MICL SCR Risk Source	One Year Regulatory SCR (£'000)			
	2024	2023	Change (Y/Y)	% change
Non-Life underwriting risk	21,646	23,292	(1,646)	(7%)
Market risk	8,149	11,244	(3,096)	(28%)
Counterparty default risk	3,127	2,005	1,123	56%
Undiversified Basic SCR	32,922	36,541	(3,619)	(10%)
Diversification credit	(6,213)	(7,183)	970	14%
Basic SCR	26,709	29,358	(2,649)	(9%)
Operational risk	4,999	4,702	297	6%
Loss-absorbing capacity of deferred taxes	(6,484)	(7,624)	1,140	15%
Standard Formula SCR	25,224	26,436	(1,212)	(5%)
MCR	11,351	11,896	(546)	(5%)
Own Funds	74,478	82,252	(7,773)	(9%)
Ratio of Own Funds to SCR	295%	311%	(16%)	(5%)

C.1 Underwriting risk

Underwriting risk is the risk that future insurance claims and benefits cannot be covered by premium and/or investment income, or that insurance liabilities are not sufficient, because future claims and expenses differ from the assumptions used in determining the best estimate liability.

MICL's underwriting risk capital requirement is split as follows:

	2024 £'000	2023 £'000
Premium and Reserve Risk	21,165	22,469
Lapse Risk	-	-
Catastrophe Risk	1,681	2,702
Diversification Benefit	(1,200)	(1,879)
Total	**21,646**	**23,292**

Movement in Underwriting Risk since the previous valuation

There has been a £1.6m decrease in Underwriting Risk between the 2023 year end SCR calculation and the equivalent 2024 calculation. The main reason for the decrease is the reduction in GAP premium which has lower Premium Risk and Catastrophe Risk, combined with lower profit share provisions.

Material risk exposures

As at 31 December 2024 MICL had an underwriting risk equivalent to 65.7% (2023: 63.7%) of the undiversified SCR.

MICL underwrote the following main products in 2024:

- MBI - motor warranty and a small number of ancillary products
- Alloy/Cosmetic/Tyre (ACT).

As noted elsewhere in this report, GAP has historically been a key product for MICL, but due to the temporary cessation of the product, GWP was significantly lower in 2024. MICL also underwrote small a volume of Roadside Assistance (RAS) in the UK.

C.1.1.1 Mechanical Breakdown Insurance

MBI is the largest line of business and is a significant driver of the strong underwriting performance, representing 87% (2023: 82%) of the Gross Written Premium at £143 million (2023: £140 million). The UK is MICL's largest market at £139 million (2023: £129 million). Material exposures are:

- Systemic component failure for vehicles of specific manufacturers or vehicles
- Significant dependence on an individual programme or client
- Future regulatory changes which could impact upon the existing business model, including the ability to offer a multi-country solution
- Failure to obtain timely and accurate data
- Changes in model mix
- Failure to price accurately and provide appropriate terms.

MICL's MBI portfolio has historically been a large and stable book of business. Although there have been some minor movements in premium income within individual regions, the geographic footprint remains fundamentally unchanged from 2023. The underlying vehicle sales mix also remained largely unchanged over the last 12 months. MICL's policy wordings exclude inherent defects and design failures to prevent significant losses arising from a catastrophic component failure. In addition, the diverse range of vehicles, including the significant variety of brands, models, and ages, means that the risks of any specific component failure impacting significantly upon the underlying profitability of the portfolio is diminished.

Concentration risk has increased during 2024 due to the roll out of a significant programme relating to a single client across multiple territories. This risk has been discussed at Board and RCC level to ensure visibility and acceptance. Additionally, there is increasing exposure to new car extended warranties that are sold alongside motor vehicle purchases in some parts of the world. These programmes typically take longer to earn and have higher exposure to inflationary risk.

In 2024, profitability was not as high as prior years. This reduction in profit was due to a number of factors referenced in section A2, namely the increased age of the vehicle parc, extensive changes to vehicle propulsion systems, increased customer demand for larger vehicles, pressure on the training and wages of the vehicle technicians and general claims' inflation.

Reserve Risk is not material for MICL because MICL's loss reserves are very short tailed with over 90% of claims being paid within a year. The average period on risk in the UK for policies written in 2024 was 13 months (2023: 13 months).

C.1.1.2 Guaranteed Asset Protection

GAP represented approximately 1% of Gross Written Premium in 2024 (2023: 8%). It is currently only underwritten in the UK and all of the business is administered by MICL's sister company, Car Care Plan Limited (CCPL). GWP decreased in 2024 by £12.9m (2023: £0.2m increase) to £1.3m (2023: £14.2m).

This significant reduction is as a result of market wide action taken by the FCA for this product, which is described previously.

The risk characteristics of GAP insurance are low frequency, high (relative) value. Severity is higher than warranty but often low compared to motor insurance total loss settlements, and risk premiums are therefore significantly lower than for warranty. Aside from the impact of the pandemic, the performance continued to be influenced by a number of key market trends:

- Number of vehicle miles driven
- Higher retail prices and residuals, impacting severity
- Increasing use of Personal Contract Purchase
- Younger drivers driving newer/higher specification cars, often on the back of attractive PCP offers

C.1.1.3 Alloy Wheel Repair, Cosmetic Repair and Tyre Insurances (ACT)

ACT represented approximately 11% of Gross Written Premium in 2024 (2023: 9%). It is currently only underwritten in the UK and all of the business is administered by MICL's sister company, Car Care Plan Limited (CCPL). Gross Written Premium in 2024 was £18.4 million (2023: £15.6 million). The average period on risk in 2024 was 36 months (2023: 36 months).

The distribution channel is predominantly a number of large dealer group programmes and an open market product. The risk characteristics of ACT insurance are high frequency, low value. Product performance is influenced by:

- Type of tyre, e.g., standard or run-flat
- Type of vehicle e.g., prestige brand
- The nature of the vehicle ownership, e.g., PCP's
- The schedule of costs negotiated with the service provider.

Material Risk concentrations

In the UK, there are long-term contracts in place with existing manufacturer partners and dealer groups and the Company is actively seeking to diversify further through the acquisition of new accounts.

Whilst MBI is MICL's biggest product line, the ACT business has grown substantially over the previous years and has led to better product diversification.

Material risk mitigation

MICL has a clearly defined risk appetite, together with a documented underwriting process and set of underwriting standards. The underwriting standards set out the characteristics of acceptable risks and the target loss ratios that should be used to achieve the required level of return. Underwriting protocols allow for a high level of interrogation and investigation work to be carried out and timely underwriting and pricing decisions to be made.

MICL mitigates its exposure to high frequency claims on specific components by specifically excluding losses relating to inherent design or manufacturing defect.

A full review of the ACT portfolio is regularly carried out and appropriate underwriting action taken. MICL underwrites a broad portfolio of vehicles and drivers across the UK and products are distributed by a variety of dealers and intermediaries.

In 2024 MICL continued to utilise a product and rating structure that meets its risk appetite. MICL receives timely and complete underwriting information and is able to review performance on a regular basis to ensure that these products perform in line with that risk appetite.

MICL performs regular risk-based audits of distributors and utilises comprehensive conduct risk management information to help identify any key risks or issues related to the distribution of its products.

Over 90% of all business written is currently administered by CCPL and all transactional data is available to MICL. MICL utilises sophisticated data analysis tools to monitor performance and take appropriate and timely action. Throughout 2024, MICL received timely and accurate data from its administrators.

The performance of risk mitigation techniques is monitored by the RCC. Where a particular risk mitigation technique is determined to be ineffective, the RCC will request that alternative techniques are introduced and monitor ongoing effectiveness. The Company fulfils the Prudent Person Principle because it is able to properly understand its material risks.

Risk sensitivities

As part of its ongoing capital management and as part of the ORSA process, MICL uses capital modelling to establish losses arising from future exposure and the possibility of the combined ratio exceeding 100%. Reverse stress testing is carried out to assess the implications of potential mispricing, to ensure that the Company's capital position cannot be undermined.

In addition, MICL has performed a series of sensitivity tests on its solvency position. These are shown in section C7.1.

Other material Information

There is no other material information.

C.2 Market risk

MICL's market risk capital requirement is split as follows:

	2024 £'000	2023 £'000
Concentration Risk	6,492	8,618
Interest Rate Risk	2,431	4,521
Currency Risk	1,954	1,920
Spread Risk	3,033	4,412
Diversification Benefit	(5,760)	(8,226)
Total	**8,149**	**11,244**

Material risk exposures

Market risk in MICL is the risk of adverse financial impact resulting directly from fluctuations in interest rates, credit spreads, foreign currency exchange rates, and concentrations of assets.

As at 31 December 2024, market risk comprised 24.7% (2023: 30.8%) of the undiversified SCR.

The Company's exposure to interest rate risk arises predominantly from fluctuations in the Company's bond portfolio and the Company's liabilities.

The Company's exposure to spread risk arises due to sensitivities in the value of investments and loans to volatility of credit spreads.

Investments are predominantly held in high quality bonds with an overall weighted average portfolio rating of AA- and a weighted average duration that is broadly in line with the duration of the liabilities. The Company holds approximately one half of its bond portfolio in government bonds to materially reduce concentration and spread risk exposures.

MICL has entered into an intercompany loan, which remains outstanding at the end of the year. During the year £2.0m (2023: £4.1m) of loan principal was repaid. The loan was established for the Car Care Plan Group to fund the acquisition of Dent Wizard Ventures Limited, a cosmetic and alloy wheel insurance repairer, which provided the group with end-to-end control of the customer experience. The Company believes that sufficient liquidity and dividend capacity exists within the group to fund the loan and ensure its recoverability.

Material risk concentrations

MICL's exposure to concentration risk arises as a result of positions taken in the investment portfolio, loans to other entities in the AmTrust Group and its cash holdings.

The exposure to concentration risk has decreased in the year due to a partial repayment of the loan principal and small shift in the bond portfolio towards government bonds. The corporate bond portfolio is sufficiently diversified that no single exposure constitutes a material concentration risk.

In addition, MICL operates internationally and, as a result, is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. Approximately 7% (2023: 10%) of the Company's premium income arises in currencies other than sterling, and 4% (2023: 10%) of the Company's own funds are denominated in a variety of foreign currencies, the largest of which is Euro (2023: Euro and United States Dollar).

Material risk mitigation

The MICL Board is responsible for monitoring investment strategy and performance, with formal reporting against a comprehensive set of investment guidelines on a quarterly basis. An Investment and Capital Management Committee was established in late 2020. At least annually, stress (where the risk factor is assumed to vary) and scenario testing (where combinations of risk factors are assumed to vary) is used to assess the market risk under stressed conditions.

There has been a reduction in interest rate risk over the year as expectations for Bank of England base rates, and risk-free rates have fallen. The Company has a detailed set of investment guidelines to mitigate against significant mismatches between the asset and liability durations. These restrict the average duration of the portfolio in relation to the average liability duration.

MICL monitors currency risk through monthly management reporting information.

The Company has a detailed set of investment guidelines to mitigate exposure to any one entity. These incorporate restrictions on the maximum amounts that can be invested in a single entity.

The Company manages currency risk by aiming to maintain sufficient assets in local currency to meet local currency liabilities. Foreign exchange movements are monitored and managed in monthly management information.

A regular risk identification process is carried out by the RCC, which includes the consideration of emerging risks. Key risks, including key market risks, are brought to the attention of the RCC and mitigation strategies applied where appropriate.

Risk appetites have been established for market risks and these are reviewed and updated by the RCC on a quarterly basis with any breaches being reported as necessary with mitigating actions developed and implemented.

The Company considers the Prudent Person Principle in monitoring the interest rate risk and how the assets match the expected payment profile of the Company's Technical Provisions. A maximum duration limit is imposed on the bond portfolio to ensure that the interest rate exposure is broadly in line with the liability profile.

As noted above the bond portfolio primarily consists of liquid, high quality bonds with an average rating of AA-, ranging from BBB- to AAA and with modified durations of between 0.04 and 6.4 years.

There are no investments in derivative instruments.

The RCC monitors the performance of risk mitigation techniques. Where a particular risk mitigation technique is determined to be ineffective, the RCC will request that alternative techniques are introduced and monitor ongoing effectiveness.

Risk sensitivities

MICL carries out stress and scenario testing at least annually as part of its ORSA process, which includes stress testing for interest rate risk. A stochastic capital model, which reads in economic data from an Economic Scenario Generator for each simulation, is used to calculate the Company's asset portfolio. In addition, through the Company's reverse stress testing process, more severe market risk shocks are tested – stresses by rating, sector and interest rate shocks. This showed that only a combination of severe interest rate shock and unprecedented cross-sector failure would result in a significant impact on MICL's ability to carry on business.

Exchange rate risk is covered by the modelling process but using a deterministic method to analyse the maximum movements in exchange rates to calculate the resulting loss. The results of this testing showed that the Company can withstand severe exchange rate risk shocks.

In addition, as documented later, MICL has performed a series of sensitivity tests on its solvency position.

Other Material Information

There is no other material information.

C.3 Credit risk

MICL's credit risk capital requirement is split as follows:

	2024 £'000	2023 £'000
Type 1	1,367	1,657
Type 2	1,969	436
Diversification Benefit	(208)	(88)
Total	**3,127**	**2,005**

Material risk exposures

Credit risk in the Company is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to the Company.

As at 31 December 2024, credit risk in the form of counterparty default risk, comprised 9.5% (2023: 5.5%) of the undiversified SCR.

There have been no material changes in credit risk over the course of the year.

Material risk concentrations

In MICL, the main area of credit risk is in relation to amounts due from insurance intermediaries, commercial policyholders and amounts held with banks and other financial institutions.

Reinsurance counterparty credit risk is monitored in the Company's quarterly Underwriting Committee and Board meetings. Credit rating and publicly available financial information are used to assess credit risks.

Credit risk is also identified, assessed and monitored through the Company's risk register.

Material risk mitigation

Credit risk from insurance contract holders and insurance intermediaries is mitigated by:

- Implementing alternative mitigation measures such as "pay as paid" clauses in the contract.
- The fact that MICL's main insurance intermediary is a connected party (CCPL, MICL's sister company).
- Carrying out appropriate due diligence on the financial stability of counterparties prior to entering business relationships.

Credit risk with its reinsurers is mitigated by only using rated reinsurers with very high Standard & Poor's (A minimum) or A M Best (A minus minimum) credit ratings and using a select number of reinsurers to mitigate contagion risk. Credit ratings are monitored on an on-going basis and reviewed at the Underwriting Committee on a quarterly basis. Where the Company uses reinsurers without credit ratings, credit risk is monitored through review of financial statements and Solvency Coverage Ratios.

MICL generally only uses banks with a minimum credit rating of A.

The Company considers the Prudent Person Principle in monitoring credit risk. Counterparties are selected by taking into account the credit rating and reputation of each entity.

The Risk and Compliance Committee monitors the performance of risk mitigation techniques. Where a particular risk mitigation technique is determined to be ineffective, the Risk and Compliance Committee will request that alternative techniques are introduced and monitor ongoing effectiveness.

Risk sensitives

At least annually, MICL carries out stress and scenario testing as part of its ORSA process, which includes stress testing for credit risk. The Company's stochastic capital model recreates the reinsurance programme and then simulates the transition between each reinsurance rating for all future calendar periods. It then calculates the probability that the reinsurer will default in that period.

The fact that MICL only uses reinsurers with high credit ratings and that the excess of loss reinsurance retention is at a reasonably high-level means that the probability of default is less than a 1 in 200-year event.

In addition, MICL has performed a series of sensitivity tests on its solvency position.

Other material information

There is no other material information.

C.4 Liquidity risk

Material risk exposures

Liquidity risk in the Company is the risk of not being able to make payments as they become due because there are insufficient assets in cash form.

The Company has limited liquidity risk as 94% (2023: 93%) of its invested assets are held in cash in bank accounts and in relatively liquid high-quality bonds. The remaining 6% (2023: 7%) is held in a loan to another entity within the AmTrust Group.

Material risk concentrations

MICL's liquidity risk exposure is concentrated in financial assets (bonds), loans to other entities in the AmTrust Group and reinsurance contracts.

Material risk mitigation

Asset-liability duration matching profiles and tolerance limits as agreed by the Board are monitored and reported to the Risk and Compliance Committee and the Board on a quarterly basis.

There has been no material change to liquidity risk during the year. The Company considers that the invested assets are sufficiently liquid to meet the ongoing outwards cash flows needs.

The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due through the application of a liquidity risk policy and through the development of its capital and liquidity plan, which identifies available financing options and which, is reviewed on an annual basis.

In addition, MICL mitigates liquidity risk by developing short term cash flow forecasts and incorporating an appropriate level of buffer.

Premium payments are monitored regularly to ensure they are received within the terms of credit.

A Risk Appetite has been established for liquidity risks and this is reviewed and updated by the Risk and Compliance Committee on a quarterly basis with breaches being reported as necessary with mitigating actions developed and implemented.

The invested assets are prudently invested taking into account the liquidity requirements of the business and are held in such a way as to properly match the terms or duration of the liability profile.

The Risk and Compliance Committee monitors the performance of risk mitigation techniques. Where a particular risk mitigation technique is determined to be ineffective, the Risk and Compliance Committee will request that alternative techniques are introduced and monitor ongoing effectiveness.

Risk sensitivities

The Company carries out stress and scenario testing as part of the ORSA process, which includes stress testing for liquidity risk.

Other material information

There is no other material information.

C.5 Operational risk

Operational risk is the risk of losses resulting from inadequate or failing internal processes, persons and systems, or from external events (including legal risk). The main areas where operational risks are incurred are operations, IT, outsourcing and legal issues.

MICL's operational risk capital requirement is split as follows:

	2024 £'000	2023 £'000
Operational Risk	4,999	4,702

Material risk exposures

Whilst operational risks exist within MICL, this is not a risk area determined by the RCC to be material due to the level of risk mitigation controls in place. Operational risk is identified, assessed and monitored by the RCC with oversight from the Board, and recorded on the Risk Register.

A key area of operational risk relates to Outsourcing risk/Group risk. MICL outsources the majority of its policy acquisition, claims management and claims administration processing to its sister company CCPL; its Capital Management, IT, HR and Legal functions to the wider AmTrust International group; and its investment management to a Group company, AmTrust Financial Services Inc.

There are various operational risks, which are associated with MICL's outsourced functions, including; claims leakage risk, regulatory risk, cyber risk, data security risk, mis-selling risk and IT infrastructure risk.

A key operational risk relates to the size of the business and the reliance on a small number of key individuals. Due to the nature and scale of the business, MICL will always face this type of risk. However, significant emphasis has been given to this area to ensure that skills and expertise are shared within the business.

Another key operational risk relates to data quality. Significant emphasis is placed on mitigating the risks associated with data quality to ensure that the data within the business complies with the requirements surrounding completeness and accuracy. Board and Audit Committee attention has identified that greater assurance is required surrounding some of the key IT operational risks, most significantly cyber security and data security, and the wider data governance framework. Significant focus has been given to this area in 2024 and will continue to be given in 2025.

Material risk concentrations

There are no material operational risk concentrations.

Material risk mitigation

In addition to the standard risk management and mitigation techniques used within the business, the following additional risk mitigation techniques are in place for the key operational risks identified above:

Outsourcing: The risks relating to outsourcing are mitigated through the maintenance of an Outsourcing Framework and the requirement to complete on-going due diligence and regular performance reviews and audits on outsourced providers.

Data: MICL continues to place significant focus on data accuracy and governance. A project is underway to improve the formal data governance framework, policies, and the associated procedures, with the aim to provide additional controls in this area.

The RCC monitors the performance of risk mitigation techniques. Where a particular risk mitigation technique is determined to be ineffective, the RCC will request that alternative techniques are introduced and monitor ongoing effectiveness.

Risk sensitivities

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for operational risk.

In addition, as covered later, MICL has performed a series of sensitivity tests on its solvency position.

Other material information

Operational losses, arising from the failure of people, processes or systems are recorded on the Compliance and Regulatory Issues List and reported to the RCC on, at least, a quarterly basis. This allows the RCC to assess the actual losses arising from Operational Risk, implementing appropriate mitigation techniques as appropriate.

C.6 Other material risks

Legal and Regulatory risks

This is the risk of non-compliance with regulation and legislation.

MICL does not seek to take on legal and regulatory risk in order to generate a return. However, the Company recognises that some degree of legal and regulatory risk is an unavoidable consequence of remaining in business. MICL therefore seeks to mitigate this risk through corporate governance and internal control mechanisms. Awareness of the risks and the Company's control mechanisms are maintained through its policies and procedures framework and training programmes.

In relation to the PRA, the main risks in 2024 related to establishing compliance to operational resilience requirements. Over the year significant focus has been given to this area, in particular relating to the recovery of systems in the event of a cyber-attack. The business has developed an operational resilience framework to comply with the requirements set out in Supervisory Statement 1/21, with focus given to disaster recovery within MICL and its material outsource providers. There has been particular focus in assessing the ability to recover key systems, along with recovering data from immutable storage.

The main regulatory risks in the UK are considered to relate to the distribution channel for products (mainly UK motor dealers) and ensuring appropriate value and utility for consumers within the product range. This is covered in more detail in the "Conduct Risk" section below.

Conduct Risk

This is the risk associated to the way organisations, and their staff, relate to customers and the wider financial markets.

Focus has been given to the implementation of the new Consumer Duty, which included an assessment of all customer facing processes & communications, an overhaul of the product governance framework, and a project to re-assess the price and value of products. As part of implementation, the conduct risk framework was also reviewed to amalgamate MI, KPIs and KRIs covering the Conduct, Treating Customers Fairly (TCF), and the new Consumer Duty requirements. This enables the Company to efficiently oversee multiple aspects of business performance and establish whether customer outcomes are in line with the requirements. A post implementation internal audit of the Consumer Duty concluded that "the governance and control environment to ensure compliance with the FCA Consumer Duty regime that came into force from 31 July 2023 at Car Care Plan (Holdings) Limited (CCPH) is Satisfactory", providing further assurance surrounding the work completed.

A key risk that MICL faces relates to the high conduct risk within its distribution channels, particularly relating to GAP and ACT products. The risk materialised in early 2024 due to a regulatory investigation into the UK GAP insurance market, which in early 2024 led to MICL and other market participants, temporarily ceasing the sale of GAP Insurance. Following a review of the company's Fair Value Assessments and Target Market Analysis the company reassessed its distribution channels and associated costs and subsequently agreed with the regulator to relaunch the product in the second half of 2024.

As part of the work completed on GAP Insurance, the business has reviewed and re-designed its Fair Value Assessment (FVA) process, which was applied across the MICL product range in the second half of 2024. This gives assurance over the value and utility of the product line-up.

Strategic risk

This is the risk arising from failure to sufficiently define the direction and objectives of the entity, together with the resourcing and monitoring of the achievement of the same.

A key strategic risk that MICL faces is its reliance upon CCPL for administration and claims handling services. A loss of key customers, reputation, or market share for CCPL could have a significant impact on MICL's GWP and underwriting performance.

The regulatory focus on insurance add-on products and the future implications to the MICL business is another key strategic risk. In particular, the increased regulatory burden is likely to lead to some motor dealers de-regulating and looking for alternative mechanisms to distribute insurance products.

MICL has a well-developed business planning process, and the Board approves its business plans. The business plans are also used in the Own Risk and Solvency Assessment (ORSA) process.

Governance risk

This is the risk arising from the failure to demonstrate independent and proper stewardship of the affairs of the Company in order to safeguard the assets of the Company's shareholders and the overall interests of its stakeholders.

The Company regards a strong governance framework to be vital in achieving its objectives as well as providing transparency and accountability to its various stakeholders. A system of internal control and governance has been developed using the "Three Lines of Defence" model, which the Board deems to be appropriate to the scale and nature of MICL's activities and risks.

Group risk

This is the risk arising from other parts of the Company's group, through parental influence or direct contagion.

MICL maintains a good relationship with its ultimate parent and expects that, at all times, it will remain suitably appraised of all of the material risks within the group that may, if crystallised, have negative impact upon the business strategy and/or cause detriment to its customers.

Solvency risk

This is the risk that the entity fails to maintain adequate levels of capital resources of sufficient quality and quantity in order to carry out its business objectives and in order to meet all domestic and international regulatory considerations regarding the capital resource requirements.

MICL's statutory Solvency Capital Requirement (SCR) is set using the Solvency II Standard Formula with the use of an Undertaking Specific Parameter (USP) on the premium risk in the Miscellaneous Financial Loss (MFL) Line of Business (LoB). The business believes that the Standard Formula, with the USP, does not lead to an inappropriate capital requirement for the business and allows MICL to match its capital requirement more closely to the risk profile of the business.

MICL ensures it is solvent at all times through monitoring of the solvency position against agreed appetite and tolerance levels; management accounts; and solvency forecasting in the ORSA and prior to any strategic decision making. The business also maintains recovery and resolution plans, including a suite of available capital levers.

Climate Change risk

In 2023/4, as part of the wider AmTrust Group, MICL introduced the Climate Change Financial Risk Framework (CC FRMF). The framework is designed to identify, measure, manage, monitor and report upon the Climate Change financial impacts, and forms part of the wider MICL Risk Management Framework. As part of the initiative, MICL conducts an annual assessment of material risk factors, the latest of which identified seven climate change risks as core to MICL. These relate to transition, investment, liability, and reputational risks.

An inherent and residual risk assessment of each core risk factor was conducted and indicates that the level of climate change risk is "low" to "medium" in the short term and increases in the medium and long terms. The increase in the level of risk over time is due to the changing market sentiment towards sustainability, market transition to electric and hybrid vehicles, and the potentially more frequent and severe global weather events.

MICL has seen increasing focus on sustainability from both regulators and its key clients in the past twelve months, which the Company expects to increase over the next few years. MICL has therefore taken steps to improve its emissions tracking and to implement an environmental management system.

The business maintains climate change investment guidelines to limit its exposure to industries and countries particularly at risk. Further climate change risk mitigation will be implemented, as and when appropriate.

Significant work in relation to sustainability is anticipated in the future.

Cyber risk

This is the risk of financial loss, disruption or damage to the reputation of an organisation resulting from the failure of its information technology systems. MICL has identified cyber risk as a key area of focus within the business and continues to work with outsourced IT providers to ensure suitable controls are in place to mitigate this risk.

Significant focus has also been given to this area as part of the Operational Resilience work in 2024.

Supply Chain risk

Whilst the production of new vehicles has picked up in 2023 and 2024, and the risks stemming from supply chain issues have mainly materialised, MICL anticipates further supply chain risks driven by:

Global economic uncertainty - Global economic uncertainty is likely to continue in 2025 stemming from fluctuating oil prices, unpredictable inflation rates, and shifting trade policies, all of which can significantly affect operational stability and operational costs.

US Tariffs – The possible US tariffs are likely to have an inflationary impact on global supply chains, raising the price of goods across industries. Industries with no direct tariffs will likely be impacted by the increased price of key production components. The US tariffs are also likely to shift geopolitical relations, further influencing global supply chains.

Drive towards sustainability – The drive towards sustainability is causing industries to re-think their approach to business operations with greater focus on the use of sustainable resources, renewable energy, energy and fuel efficiency, and other ESG considerations. This will likely result in changes to global supply chain strategies and may pose further inflationary pressures.

Cybersecurity – Digitalisation of global industries has increased efficiency, however, it also increases the exposure of global supply chains to cybersecurity risks. A single breach can potentially have a material impact on a global scale due to the highly interconnected nature of global industries. The risk has been recognised across the globe with major investment in cybersecurity measures, potentially driving prices as a bi-product.

There are two potential key risks to MICL stemming from the anticipated supply chain issues:

1. Increase in claim costs – Inflationary pressures on vehicle car parts will likely cause an increase in claims severities on the warranty book.
2. Reduced volume of written business – Supply chain issues and inflationary pressures could impact the volume of business written by MICL. The key drivers behind the risk include:
   - Inflationary pressures on vehicle prices driving down demand for vehicles
   - Inflationary pressures on claims costs driving up MICL prices, reducing demand
   - Disruptions to the production and/or supply of vehicles reducing the volume of new vehicle sales.

Other Material Risk Concentrations

MICL is a participating employer of the Car Care Plan Group defined benefit scheme, which is primarily sponsored by MICL's immediate parent company. The company has followed the guidance in Supervisory Statement (SS 5/15) and there is sufficient unencumbered capital held elsewhere in the group to support the pension scheme and as such the pension scheme is not recognised in the Company's Solvency II balance sheet when determining the Standard Formula SCR.

Other Material Risk Sensitivities

The Company carries out stress and scenario testing as part of the ORSA process, which includes stress testing for operational risk.

In addition, MICL has performed a series of sensitivity tests on its solvency position. These are shown below.

C.7 Any other information

Risk sensitivities

MICL has performed sensitivity tests to show the impact on SCR and solvency coverage by changing the assumptions associated with each risk type in the SCR calculation. These are independent stresses to individual risks, although in practice risks may occur in combination, but the impact would differ from the combination of impacts of the individual stresses. It has been assumed that the current quota share arrangement, which MICL renewed on 1st July 2024, continues into the future on the same terms. The impacts of each stress are non-linear, and the results shown should not be used to extrapolate the effects of larger or smaller changes in the assumptions.

MICL has performed the following sensitivity tests on its solvency position.

Risk category	Test	SCR/Change (£m)		Own Funds/Change (£m)		Solvency Ratio/Change	
Underwriting	25% increase in volume of GWP in next 12 months	26.0	0.8	74.5	0.0	286.3%	-9.0%
Underwriting	25% decrease in volume of GWP in next 12 months	24.7	(0.6)	74.4	(0.0)	302.0%	6.8%
Underwriting	25% increase in Claims provisions	28.8	3.6	70.5	(4.0)	245.0%	-50.3%
Underwriting	25% decrease in Claims provisions	21.3	(4.0)	78.5	4.0	369.2%	73.9%
Market	25% increase in asset durations	25.6	0.4	74.5	-	291.0%	-4.2%
Market	25% decrease in asset durations	24.9	(0.3)	74.5	-	299.1%	3.9%
Market	10% increase in asset concentrations	26.7	1.5	74.5	-	279.2%	-16.1%
Market	Yield Curve Upshock	25.6	0.3	72.0	(2.4)	281.9%	-13.4%
Credit	Fall in rating of one credit step for three largest insurers	25.7	0.5	74.5	(0.0)	289.8%	-5.5%
Operational	50% increase in TP expenses	26.1	0.9	72.4	(2.0)	277.5%	-17.7%

The risk with the most material effect on the SCR, and solvency ratio, is Underwriting Risk, in particular increases and decreases in claims provisions. As described previously, the Reserve Committee is responsible for ensuring adequate and reasonable reserves are in place.

The tests also show a significant sensitivity, in terms of SCR, to Market Risk, in particular to an increase in the concentration of assets. The Company closely monitors its portfolio of assets against its investment guidelines throughout the year. The Solvency ratio also has a significant sensitivity to Operational Risk, in particular a significant increase in expenses. The Company monitors the levels of expenses on an ongoing basis, regularly reporting to the Board and updating forecasts.

Valuation for Solvency Purposes

Section D

D. Valuation for Solvency Purposes

This section highlights the ways in which the Company's assets and liabilities are valued differently when calculating net equity when preparing statutory accounts on a UK GAAP basis and own funds on a Solvency II basis.

There have been no changes made to the recognition or valuation bases used or to estimations during the reporting period in the calculation of the assets and liabilities of the Company.

The following is a summary level Solvency II Balance Sheet:

Solvency II Balance Sheet As at 31st December 2024	Notes	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
		£'000	£'000	£'000	£'000
Assets Deferred acquisition costs	D.1 D.1.1	27,225	-	(27,225)	-
Investments	D.1.2				
Bonds					
Government bonds		98,608	520	-	99,128
Corporate bonds		78,687	1,178	-	79,866
Loans and mortgages	D.1.3	9,800	183	1,736	11,719
Reinsurance recoverables	D.1.4	105,145	30,327	(51,048)	84,424
Deposits to cedants	D.1.5	472	-	(19)	453
Insurance & intermediaries receivables	D.1.6	32,215	(28,163)	-	4,052
Reinsurance receivables	D.1.6	4,748	(2,164)	-	2,584
Receivables (trade, not insurance)	D.1.6	1,977	-	-	1,977
Cash and cash equivalents	D.1.7	8,758	-	-	8,758
Any other assets	D.1.7	1,881	(1,881)	-	-
Total Assets		369,516	-	(76,555)	292,961
Liabilities					
Technical provisions – non-life	D.2	197,448	34,276	(79,671)	152,053
Deposits from reinsurers	D.3.2	55,706	(9,636)	-	46,071
Deferred tax liabilities	D.3.1	-	-	6,484	6,484
Insurance & intermediaries payables	D.3.2	20,546	(19,610)	-	935
Reinsurance payables	D.3.2	8,360	(5,030)	-	3,329
Payables (trade, not insurance)	D.3.3	9,611	-	-	9,611
Any other liabilities	D.3.3	22,819	-	(22,819)	-
Total Liabilities		314,489	-	(96,007)	218,482
Excess of assets over liabilities		55,027	-	19,452	74,479

D.1 Assets

D1.1 Deferred acquisition costs

Solvency II Balance Sheet As at 31st December 2024	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Deferred acquisition costs	27,225	-	(27,225)	-

Under Solvency II deferred acquisition costs are valued at nil, with appropriate associated adjustments made to the calculation of TPs.

D1.2 Investments

Solvency II Balance Sheet As at 31st December 2024	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Government bonds	98,608	520	-	99,128
Corporate bonds	78,687	1,178	-	79,866
Total Investments	**177,295**	**1,698**	**-**	**178,994**

The Company's investment portfolio consists primarily of corporate and government bonds, all of which are directly held by the Company.

The Company elects to carry its investments at fair value through the profit and loss account at inception. These assets are managed and their performance evaluated on a fair value basis, and information about their fair values is provided internally to key management personnel on a regular basis including the Board and the Investment and Capital Management Committee.

Investments are classified into three tiers of fair value hierarchy based on the characteristics of inputs available in the marketplace. The following valuation hierarchy is used:

- Level 1 – Quoted market prices in active markets for the same assets.
- Level 2 – Quoted market prices in active markets for similar assets with adjustments to reflect differences. The adjustments reflect factors specific to the asset including the condition or location of the asset, the extent to which inputs relate to items that are comparable with the asset and the volume or level of activity in the markets within which the inputs are observed.
- Level 3 – Alternative valuation methods which make use of relevant market inputs including:
  - Quoted prices for identical or similar assets which are not active;
  - Inputs other than quoted prices that are observable for the asset, including interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads; and
  - Market-corroborated inputs, which may not be directly observable but are based on or supported by observable market data.

At the reporting date all the investments were Level 2 investments.

An adjustment is made to move the accrued interest from any other assets under UK GAAP to be included in the value of the bonds under Solvency II.

D1.3 Loans and mortgages

Solvency II Balance Sheet As at 31st December 2024	Statutory Accounts Value £'000	Reclassification Adjustments £'000	Solvency II Valuation Adjustments £'000	Solvency II Value £'000
Loans and mortgages	9,800	183	1,736	11,719

Loans and mortgages are measured at amortised cost using the effective interest method for UK GAAP and at fair value using the income approach through the discounted cash flow method for the purpose of Solvency II. Therefore, a valuation adjustment is required from the UK GAAP basis.

The Company's discounted cash flow method relies on the use of unobservable market inputs to reflect the assumptions market participants would use in pricing the asset or liability based on sources independent of the entity pricing the asset or liability. Unobservable inputs reflect the Company's own assumptions about the assumptions market participants use in pricing the asset or liability (including assumptions about risk inherent in the asset or liability or inherent in the model used to estimate the price of the asset or liability).

Unobservable inputs are developed based on the best information available in the circumstances, which might include the Company's own data and should consider all information about market participant assumptions that is reasonably available. In developing unobservable inputs, it does not need to undertake all possible efforts to obtain information about market participant assumptions in pricing the asset or liability.

The Company's own data used to develop unobservable inputs is adjusted if information indicating that market participants would use different assumptions is reasonably available without undue cost and effort. The unobservable valuation inputs are updated only when corroborated by evidence such as market transactions.

The related accrued interest is disclosed under any other assets under UK GAAP but is re-classified on the Solvency II balance sheet to be included in the value reported under loans and mortgages.

The loan balance consists of a single loan to a wholly owned company within the Amtrust Group, made on an arm's length basis.

The Company had no mortgages as at 31st December 2024.

D1.4 Reinsurance recoverables

Solvency II Balance Sheet As at 31st December 2024	Statutory Accounts Value £'000	Reclassification Adjustments £'000	Solvency II Valuation Adjustments £'000	Solvency II Value £'000
Reinsurance recoverables	105,145	30,327	(51,048)	84,424

The reclassification of balances and valuation differences of this item are covered in the valuation of technical provisions in section D.2.

D1.5 Deposits to cedants

Solvency II Balance Sheet As at 31st December 2024	Statutory Accounts Value £'000	Reclassification Adjustments £'000	Solvency II Valuation Adjustments £'000	Solvency II Value £'000
Deposits to cedants	472	-	(19)	453

Deposits to cedants are valued at the best estimate of the recoverable amount and are discounted where it is expected that the balance will be recovered after more than one year. The valuation adjustment arises from the discounting of future cash flows using the published risk free rates.

D1.6 Insurance and intermediaries receivables, reinsurance receivables & non-insurance trade receivables

Solvency II Balance Sheet As at 31st December 2024	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Insurance & intermediaries receivables	32,215	(28,163)	-	4,052
Reinsurance receivables	4,748	(2,164)	-	2,584
Receivables (trade, not insurance)	1,977	-	-	1,977

Receivables relating to insurance and intermediaries, reinsurance and other trade are valued at amortised cost, consistent with the approach under UK GAAP, which is not considered to be materially different from the fair value approach under Solvency II valuation principles, since debtor balances are short term, with no discounting impact and convertible into a cash balance.

Receivables that are not yet due are reclassified and dealt with as part of the technical provisions, described below.

There are a number of other reclassifications made between the UK GAAP balance sheet and the Solvency II balance sheet relating to these items to correctly classify items under the Solvency II categories.

D1.7 Cash and other assets

Solvency II Balance Sheet As at 31st December 2024	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Cash and cash equivalents	8,758	-	-	8,758
Any other assets, not elsewhere shown	1,881	(1,881)	-	-

Cash balances are valued at the amount held at the period end, translated using year end exchange rates where appropriate. There is no valuation difference between the two bases.

Any other assets are valued at the best estimate of the recoverable amount and are discounted where it is expected that the balance will be recovered after more than one year. The statutory accounts value includes accrued interest in respect of the Company's investments in bonds and loans, which are reclassified under Solvency II to be included within the value of bonds, and loans and mortgages respectively.

D.2 Technical Provisions

Technical Provisions

The value of MICL's Solvency II TPs net of reinsurance recoverable at 31 December 2024 was £67.6m (2023: £63.7m). The table below shows how the TPs are broken down by Solvency II class of business:

Solvency II Class of Business	Best Estimate Technical Provisions	Solvency II Risk Margin	Solvency II Value	Reinsurance Recoverable	Net Technical Provisions
	£'000	£'000	£'000	£'000	£'000
Other motor insurance	20,967	199	21,166	11,363	9,803
Assistance	571	5	576	326	249
Miscellaneous financial loss	129,145	1,166	130,311	72,734	57,577
Total	**150,683**	**1,370**	**152,053**	**84,424**	**67,629**

The Company values its TPs as the sum of a best estimate and a Risk Margin and in accordance with the methods prescribed by the PRA Rulebook as transposed from the Solvency II Directive using standard actuarial techniques.

Solvency II Technical Provisions Methodology

There are significant differences in the way TPs are required to be calculated under Solvency II in comparison with the GAAP provisions. Under Solvency II Claims Provisions and Premium Provisions must be calculated separately on a best estimate basis with no explicit margins included. They should include an allowance for all possible future cash flows, not just the foreseeable ones and include provisions for both allocated and unallocated expenses associated with the business written. Cash inflows, such as future premiums and recoveries from reinsurers are also included in the calculation.

There is a requirement to discount the TPs using risk free yield curves for each currency, which means cash flows of the TPs have to be generated.

Finally, a Risk Margin, which reflects the uncertainty in the cash flows as the TPs run off, is added to the best estimate, which must be calculated using the prescribed cost of capital approach.

More details on the specific methodologies used by MICL in the calculation of its TPs and how they differ from the statutory provisions are provided in the sections that follow.

Segmentation

The PRA Rulebook requires that firms evaluate their TPs by Solvency II class of business as a minimum. MICL segments its business further in accordance with which external claims administrator handles the claims, the product type and the country and currency in which the claims originate. For the Premium Provision calculations, the MBI business is further segmented into more homogeneous groups before the calculations are performed.

Claims Cash flows

The largest proportion of MICL's TPs are made up of the future claims payments. As required by Solvency II, these are calculated separately for the Claims Provisions and Premium Provisions; the distinction being payments resulting from events before and after the valuation date respectively.

Claims Provisions are calculated on a gross basis from accident year triangles using a combination of standard actuarial techniques, namely the Chain Ladder, Cape Cod and Expected Loss Ratio approaches. Cash flows are generated from the payment patterns from the Chain Ladder calculations.

Premium Provisions are also calculated on a gross basis from underwriting year triangles using the same set of standard actuarial techniques used for the Claims Provisions, supplemented by the Average Cost Per Claim method. Cash flows are generated from the underwriting year triangles using the Chain Ladder analysis performed.

There is significant uncertainty in the future claims cash flows as the probability a claim will occur, the timing of the claim, the speed at which it is reported and paid and the ultimate amount that becomes payable are all unknown. Therefore, expert judgement is required in the selection of the ultimate claims amounts for the actuarial calculations performed. Selections are made on a Solvency II best estimate basis and are back tested against previous estimates. This feedback loop aids more accurate projections in future estimates of the TPs.

Reinsurance

MICL allows for the whole account outwards quota share, along with specific MBI programmes and all GAP products in the Miscellaneous Financial Loss class of business that have an outward quota share arrangement, by repeating the Claims Provisions and Premium Provisions calculations using net of reinsurance triangles. A check is made that the net ultimate claim amounts are not higher than the gross ultimate claim amounts. The difference between the gross and net claim amounts gives the best estimate of the reinsurance recoveries.

An assessment is made for reinsurance bad debt, using the simplified approach described in SS8/24 - Solvency II: Calculation of Technical Provisions. Due to the short tailed nature of the liabilities, and the high rating of the reinsurance providers, the reinsurance bad debt is minimal, with a provision held of £11k at 31 December 2024 (2023: £11k).

Discounting

All TPs cash flows are required to be discounted using the Risk-Free Discount Rates produced by the PRA by currency. Where Risk Free Discount Rates are not available from the PRA the European Insurance and Occupational Pensions Authority (EIOPA) Risk Free Discount Rates are used. As MICL writes business in multiple currencies, the TPs are segmented in such a way to enable the cash flows to be discounted using the appropriate currency discount rate.

Events Not in Data (ENID)

Solvency II TPs are required to include an allowance for all possible future events. This includes provisions for claims that may have never occurred in the claims history and so standard actuarial techniques will not automatically allow for such events. Estimation of the amount of ENID is not a straightforward process and there are significant expert judgements in the selection of the amount to include in the provisions.

MICL uses a stochastic bootstrapping method to generate a distribution of future claims provisions by class of business. A truncated distribution is selected from what is assumed to be the full distribution and the difference in the mean of the two distributions is considered to be the required ENID loading. 2024 ENID is £1.2m (2023: £1.1m).

Future Premium Cash flows

MICL receives the majority of its premiums at the time of the commencement of the policy or shortly afterwards. Specific clients have increased credit terms which delays the premium payment by several months. For these policies, the unearned element of the premium at the valuation date is transferred to the Premium Provisions and the remainder is transferred to the Claims Provisions. For the inward reinsurance business that MICL accepts, any outstanding premium that is not past due is transferred into the TPs. Any premium that is past due is retained on the SII balance sheet as Insurance and intermediaries receivables. The outward reinsurance premium is netted off against the reinsurance recoveries and the resulting amount included in the TP cash flows.

Expenses

Allocated Loss Adjustment Expenses (ALAE)

MICL outsources all of its claims handling to third parties, the majority of which is carried out by its sister company CCPL. As a result, no allowance for claims handling has been made in the TPs.

MICL does have some ALAE in the form of claim assessment costs for some claims. These are generally small in relation to the size of the claim and are included as part of the claims costs on an individual claim basis, therefore an allowance for them is included in the actuarial projections.

Unallocated Loss Adjustment Expenses (ULAE)

ULAE is taken from the business planning process, the cash flows associated with the ULAE are required for discounting and are assumed to be in proportion to the run-off of the TPs.

Bound but not incepted (BBNI) business

Using a look-through approach MICL assumes that there is no material BBNI business to take into account in its TPs. MICL does write policies which have some form of delay before inception for which it receives the premium in advance of the inception of the policy. These polices are included within the Premium Provisions along with those policies which have incepted but still have a period of unexpired risk.

Risk Margin

Chapter 4 of the Technical Provisions section of the PRA Rulebook requires that a Risk Margin be added to the Best Estimate TPs using a defined cost of capital approach. This approach ensures that the TPs reflect the amount another insurer would require to assume MICL's insurance obligations. The calculation involves projecting the SCR for non-hedgeable risks (SCR_RU) over the lifetime of the insurance obligations. The projected SCR_RUs are discounted back to the valuation date using the GBP risk free interest rates. Finally, the prescribed cost of capital rate of 4% is applied to the discounted SCR_RUs to produce the Risk Margin.

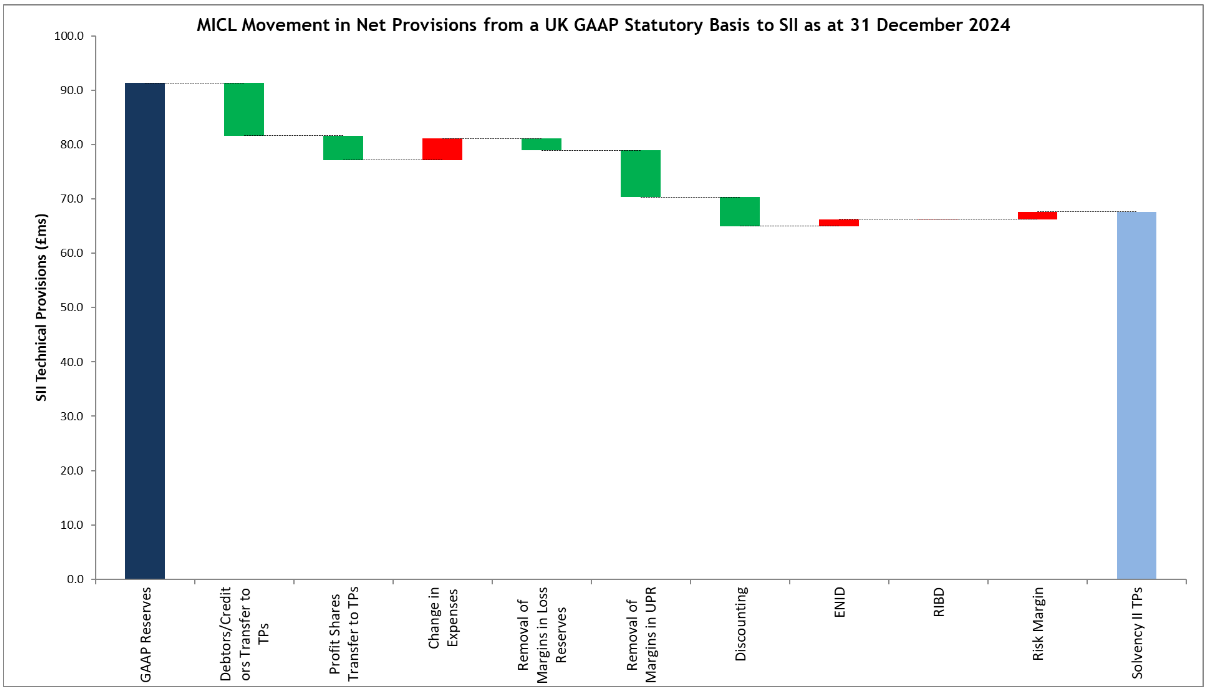
Due to the complexity in projecting the SCR_RUs over several years, MICL employs a simplification which is permitted under Solvency II. The SCR_RU is assumed to run-off in proportion to the TPs in order to complete the calculation, which provides a reasonable approximation of the future solvency requirements.

Other Liabilities

Some of the MBI programmes that MICL writes include some form of profit-sharing provision. Provisions for profit-share payments that are likely to be made in the future are calculated for each individual programme. These provisions are then split between the Claims Provisions and the Premium Provisions dependent on the timing of the accrual of the provision.

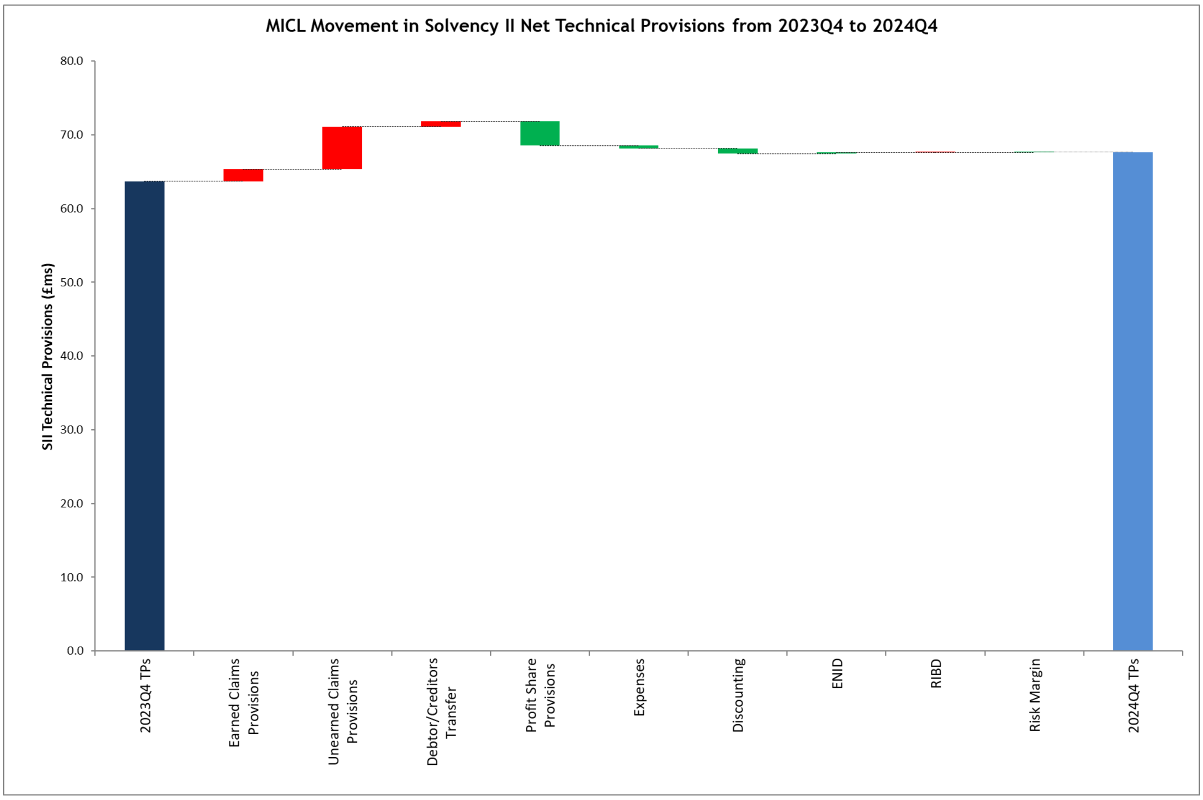
Movement of Provisions from Statutory Accounts to Solvency II Value

The waterfall chart below shows the movement in provisions from the statutory accounts to the Solvency II TPs on a net of reinsurance basis.



Movement in Solvency II Technical Provisions since the Previous Valuation

The net TPs have increased by £3.9m since the last valuation date. The waterfall chart below shows the movement in provisions from the 2023 year end valuation to the current TPs.



The majority of movements in the Solvency II TPs over the prior 12 months have been relatively small. There has been an increase in both the earned and the unearned claims provisions resulting from a slight slowdown of claim payments and higher ultimate loss ratios respectively. This has been partially offset by a reduction in the provisions for profit-shares, which has resulted from the payments to clients being greater than the rate at which they have accrued.

The movement in the Debtor/Creditor Transfer has been relatively small as the increased credit terms for MICL's clients have now stabilised and there are no significant movements in these figures from one period to the next.

The remaining movements in expenses, discounting, ENIDs, Reinsurance Bad Debt and Risk Margin are very small.

Adjustments to Technical Provisions

MICL did not apply the Matching Adjustment, Volatility Adjustment, Transitional Risk-Free Interest Term Structure or the Transitional Deduction when calculating its Solvency II TPs at 31 December 2024 (2023: no adjustments were made).

Material Changes since the last valuation

There are no material changes to the method or assumptions used in the calculation of the TPs to be reported.

D.3 Other liabilities

D3.1 Deferred tax liabilities

Solvency II Balance Sheet As at 31st December 2024	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Deferred tax liabilities	-	-	6,484	6,484

The Company has no deferred tax liability under UK GAAP. However, the Solvency II balance sheet has a deferred tax liability balance mainly in respect of the increase in own funds due to the recognition of future profits in technical provisions (unearned premium reserve) when calculated on a Solvency II basis.

D.3.2 Insurance and intermediaries, and reinsurance payables

Solvency II Balance Sheet As at 31st December 2024	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Deposits from reinsurers	55,706	(9,636)	-	46,071
Insurance & intermediaries payables	20,546	(19,610)	-	935
Reinsurance payables	8,360	(5,030)	-	3,329

Payables to intermediaries, ceding insurers, reinsurers and deposits from reinsurers are valued at amortised cost, consistent with the approach under UK GAAP, which is not considered to be materially different from the Solvency II valuation principle since creditor balances are short term, with no discounting impact and convertible into cash.

Where the amounts are not past contractual payment terms, i.e., not yet due, they are transferred to technical provisions. The UK GAAP balance also includes amounts owed in respect of profit-sharing agreements, which are included in technical provisions in the Solvency II balance sheet as the future amounts payable are directly affected by the future policy cash flows.

D.3.3 Payables (trade, not insurance) and other liabilities

Solvency II Balance Sheet As at 31st December 2024	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Payables (trade, not insurance)	9,611	-	-	9,611
Any other liabilities	22,819	-	(22,819)	-

Payables (trade, not insurance) are carried at amortised cost using the effective interest method. The effect of movement in own credit risk on the valuation is not expected to be material, therefore no adjustment to the UK GAAP values is needed.

Trade payables solely comprises amounts which fall due within 12 months and are considered to be held at fair value under UK GAAP. Trade payables include amounts due to suppliers, other Group companies, public entities, etc. and which are not insurance related.

Any other liabilities consist of deferred revenue. The valuation difference between the two bases relates to deferred revenue on reinsurance ceded.

D.4 Alternative methods for valuation

As there are no quoted market prices for the Company's holdings in loans and mortgages, deposits to cedants, insurance and intermediaries receivables and reinsurance receivables alternative valuation methods, as defined in the Solvency II regulations, are used to determine the fair values of these assets.

The details for these alternative valuation methods are disclosed in section D.

D.5 Any other information

There is no other material information regarding the valuation of assets and liabilities.

Capital Management

Section E

E. Capital Management

E.1 Own funds

Capital Requirements	2024		2023	
	£000	Coverage	£000	Coverage
Total eligible and available own funds eligible to meet SCR and MCR	74,478		82,252	
SCR	25,224	295%	26,436	311%
MCR	11,351	656%	11,896	691%

The objective of the Company in managing own funds is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate margin. Own funds should be of sufficient quality to meet the eligibility requirements in Chapter 4A of the Own Funds section of the PRA Rulebook. The Company holds regular meetings of senior management, which are at least quarterly, in which the ratio of eligible own funds over SCR and MCR is reviewed. The Committees that review solvency are described in more detail in section B. The responsibility ultimately rests with the Company's board of directors. As part of own funds management, MICL prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the base of the ORSA, contains a three-year projection of funding requirements and this helps focus actions for future funding.

	Tier 1 – Unrestricted (£000)	
	2024	2023
Ordinary share capital	11,700	11,700
Total reconciliation reserve	62,778	70,552
Total eligible and available own funds eligible to meet SCR and MCR	74,478	82,252

MICL's share capital and reconciliation reserve are all available as tier 1 unrestricted own funds as per Chapter 3A (1)(a) of the Own Funds section of the PRA Rulebook. The ordinary share capital is not subordinated and has no restricted duration. As dividends are foreseen and subsequently paid, this reduces the own funds of the Company. The reconciliation reserve is equal to the excess of assets over liabilities less other basic own fund items including foreseeable dividends at the reporting date.

The Company's own funds are all tier 1 unrestricted and are available to cover the SCR and MCR. MICL has no tier 1 restricted own funds, no tier 2 own funds, and no tier 3 own funds.

The table below analyses the difference between the equity in the financial statements and the Solvency II value of excess of assets over liabilities as at 31 December 2024 and 31 December 2023:

	2024 £'000	2023 £'000
Equity per UK GAAP financial statements comprising:		
Ordinary share capital	11,700	11,700
Retained earnings	43,327	47,680
Total equity as reported in the financial statements	**55,027**	**59,380**
Adjustments between annual financial statements and excess of assets over liabilities for solvency purposes:		
Assets	(76,555)	(84,291)
Technical provisions	45,395	56,203
Other liabilities	50,611	50,959
Foreseeable dividends, distributions and charges	-	-
Excess of assets over liabilities for solvency purposes (reconciliation reserve before deductions plus ordinary share capital)	**74,478**	**82,252**

The table below analyses the movement between the opening and closing own funds position by tier. Own funds comprises solely Tier 1 unrestricted balances.

	Tier 1 - Unrestricted (£'000)	
	2024	2023
Opening Own Funds:	82,252	86,410
Changes in Ordinary Share Capital	-	-
Changes in the Reconciliation Reserve:		
Dividends declared and paid in the period	(10,000)	(26,000)
Foreseeable dividends recognised in the prior period	-	6,000
UK GAAP profit for the year	5,647	11,811
Movements in Solvency II valuation differences:		
Assets	(933)	2,147
Liabilities	(2,487)	1,884
Closing Own Funds	74,478	82,252

The reduction in own funds in the current period is primarily due payment of dividends, partially offset by profits. In addition, the reconciliation reserve has been further reduced by movements in the valuation differences across both assets and liabilities.

E.2 Solvency capital requirement and minimum capital requirement

At the reporting date MICL's SCR was £25.2m (2023: £26.4m). The table below shows the SCR by risk category.

	2024 £'000	2023 £'000
Non-Life Underwriting Risk	21,646	23,292
Market Risk	8,149	11,244
Counterparty Default Risk	3,127	2,005
Undiversified BSCR	32,922	36,541
Diversification Credit	(6,213)	(7,183)
Basic SCR	26,709	29,358
Operational Risk	4,999	4,702
Loss-absorbing Capacity of Deferred Taxes	(6,484)	(7,624)
SCR	25,224	26,436

MICL has made use of undertaking specific parameters (USPs) in the calculation of premium risk in the miscellaneous financial loss lines of business within the non-life underwriting risk module of the SCR. Specifically, the USP standard deviation of premium risk, gross of reinsurance has replaced the standard formula standard deviation of 13%. The impact of the USP on the SCR was a reduction of £26.6m (2023: £25.8m) compared to the SCR using standard parameters. The PRA granted the use of the USP in June 2023 following an application by the Company that met the required conditions.

The SCR has been reduced for the loss-absorbing Capacity of Deferred Taxes (LACDT) of £6.4m (2023: £7.6m). This reduction is justified by offset against the deferred tax liabilities in the Solvency UK balance sheet, which would not crystalise were a 1 in 200 year event to occur due to a reduction in future profitability. The reduction in the SCR is equal to the liabilities in the balance sheet.

It has not used any simplified calculations in any risk module or sub-module in calculating the SCR. The final amount of the SCR remains subject to supervisory assessment.

At the reporting date, the MCR was £11.4m (2023: £11.9m). The reduction in the MCR is due to the SCR being lower in 2024, which has again triggered the MCR cap. This sets a maximum value for the MCR of 45% of the SCR.

The table below shows the inputs into the MCR calculation. In the table, the AMCR is the absolute floor of the MCR and in 2023 was the sterling equivalent of €2,500. The Linear MCR is based on a predetermined calculation with reference to net written premium and net technical provisions. The Combined MCR is the higher of the Linear Non-Life MCR plus the Linear Life SCR, or the MCR floor/cap if the Linear MCR falls outside of the range of >25% of the SCR and <45% of the SCR.

	2024 £'000	2023 £'000
AMCR	2,400	2,358
Linear MCR	20,194	20,074
SCR	25,224	26,436
Combined MCR	11,351	11,896
MCR	**11,351**	**11,896**

E.3 Difference between the standard formula and the internal model used

MICL does not utilise an Internal Model, therefore this section is not applicable.

E.4 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company has complied with the MCR and the SCR throughout the reporting period.

The Company's plans to ensure that compliance with each is maintained are detailed within Capital Planning and Management in section B.

E.5 Any other information

There is no other material information regarding MICL's capital management.

QRTs

Section F

F. QRTs

IR.02.01.02
Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	0
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	178,994
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	178,994
Government Bonds	R0140	99,128
Corporate Bonds	R0150	79,866
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	0
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	11,719
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	11,719
Reinsurance recoverables from:	R0270	84,424
Non-life and health similar to non-life	R0280	84,424
Life and health similar to life, excluding index-linked and unit-linked	R0315	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	453
Insurance and intermediaries receivables	R0360	4,052
Reinsurance receivables	R0370	2,584
Receivables (trade, not insurance)	R0380	1,975
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	8,758
Any other assets, not elsewhere shown	R0420	0
Total assets	**R0500**	292,961

IR.02.01.02
Balance sheet

		Solvency II value
		C0010
Liabilities		
Technical provisions - total	R0505	152,053
Technical provisions - non-life	R0510	152,053
Technical provisions - life	R0515	0
Best estimate - total	R0542	0
Best estimate - non-life	R0544	150,683
Best estimate - life	R0546	0
Risk margin - total	R0552	1,370
Risk margin - non-life	R0554	1,370
Risk margin - life	R0556	0
Transitional (TMTP) - life	R0565	0
Other technical provisions	R0730	
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	46,071
Deferred tax liabilities	R0780	6,484
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	935
Reinsurance payables	R0830	3,329
Payables (trade, not insurance)	R0840	9,610
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	**R0900**	218,482
Excess of assets over liabilities	**R1000**	74,478

IR.05.02.01
Premiums, claims and expenses by country

Home Country - non-life obligations

		Home country	Total Top 5 and home country - non-life obligations
		Home country	Total Top 5 and home country
		C0080	C0140
Premiums written			
Gross - Direct Business	R0110	159,985	159,985
Gross - Proportional reinsurance accepted	R0120	0	0
Gross - Non-proportional reinsurance accepted	R0130	0	0
Reinsurers' share	R0140	85,336	85,336
Net	R0200	74,649	74,649
Premiums earned			
Gross - Direct Business	R0210	156,415	156,415
Gross - Proportional reinsurance accepted	R0220	0	0
Gross - Non-proportional reinsurance accepted	R0230	0	0
Reinsurers' share	R0240	82,012	82,012
Net	R0300	74,403	74,403
Claims incurred			
Gross - Direct Business	R0310	122,651	122,651
Gross - Proportional reinsurance accepted	R0320	0	0
Gross - Non-proportional reinsurance accepted	R0330	0	0
Reinsurers' share	R0340	67,529	67,529
Net	R0400	55,122	55,122
Net expenses incurred	R0550	17,462	17,462

Home Country - life obligations

		Home country	Total Top 5 and home country - life obligations
		Home country	Total Top 5 and home country
		C0220	C0280
Premiums written			
Gross	R1410	0	0
Reinsurers' share	R1420	0	0
Net	R1500	0	0
Premiums earned			
Gross	R1510	0	0
Reinsurers' share	R1520	0	0
Net	R1600	0	0
Claims incurred			
Gross	R1610	0	0
Reinsurers' share	R1620	0	0
Net	R1700	0	0
Net expenses incurred	R1900	0	0

IR.05.04.02.01
Non-life income and expenditure : reporting period

		All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)												
			All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)										Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
				Line of Business for: non-life insurance and accepted proportional reinsurance obligations					Line of Business for: accepted non-proportional reinsurance					
					Motor vehicle other motor insurance - personal lines - (line of business 5)	Assistance (Lines of business 11 and 23)	Miscellaneous financial loss (Lines of business 12 and 24)		Health	Casualty	Marine, aviation and transport	Property		
		C0010	C0015	C0109	C0150	C0250	C0260	C0309	C0310	C0320	C0330	C0340	C0525	C0545
Income														
Premiums written														
Gross written premiums	R0110		163,617		18,369	1,384	143,864		0	0	0	0		
Gross written premiums - insurance (direct)	R0111		160,280		18,369	1,384	140,528							
Gross written premiums - accepted reinsurance	R0113		3,336		0	0	3,336		0	0	0	0		
Net written premiums	R0160		76,825		8,761	692	67,372		0	0	0	0		
Premiums earned and provision for unearned														
Gross earned premiums	R0210		166,621		14,993	1,192	150,436		0	0	0	0		
Net earned premiums	R0220		80,820		7,713	597	72,510		0	0	0	0		
Expenditure														
Claims incurred														
Gross (undiscounted) claims incurred	R0610		128,836		8,697	661	119,450		0	0	0	0		
Gross (undiscounted) direct business	R0611		122,704		8,697	661	113,318							
Gross (undiscounted) reinsurance accepted	R0612		6,132		0	0	6,132		0	0	0	0		
Net (undiscounted) claims incurred	R0690		58,427		4,199	331	53,884		0	0	0	0		
Net (discounted) claims incurred	R0730	58,427	58,427										0	0
Analysis of expenses incurred														
Technical expenses incurred net of reinsurance ceded	R0910	20,415												
Acquisition costs, commissions, claims management costs	R0985	10,460	10,460		1,760	(54)	8,754		0	0	0	0	0	0
Other expenditure														
Other expenses	R1140	0												
Total expenditure	R1310	83,406												

IR.17.01.02
Non-life technical provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	**Total Non-Life obligation**
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Best estimate																		
Premium provisions																		
Gross	R0060					18,521						476	89,835					108,832
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140					10,118						279	53,285					63,683
Net Best Estimate of Premium Provisions	R0150					8,403						196	36,550					45,149
Claims provisions																		
Gross	R0160					2,447						95	39,310					41,852
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240					1,245						47	19,449					20,741
Net Best Estimate of Claims Provisions	R0250					1,202						48	19,861					21,111
Total Best estimate - gross	R0260					20,967						571	129,145					150,683
Total Best estimate - net	R0270					9,604						244	56,411					66,260
Risk margin	R0280					199						5	1,166					1,370
Technical provisions - total (best estimate plus risk margin)																		
Technical provisions - total	R0320					21,166						576	130,311					152,053
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330					11,363						326	72,734					84,424
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340					9,803						249	57,577					67,629

IR.19.01.21
Non-life insurance claims

IR.19.01.21.01

Accident year / Underwriting year	1

Gross Claims Paid (non-cumulative) - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											
N-9	R0160	33,871	3,558	71	2	0	1	0	1	0	0	
N-8	R0170	36,706	4,544	23	-1	1	0	-2	0	2		
N-7	R0180	41,737	6,171	25	-2	5	-1	0	0			
N-6	R0190	48,514	6,879	139	14	17	0	0				
N-5	R0200	53,089	7,970	130	39	1	1					
N-4	R0210	50,723	9,000	253	41	12						
N-3	R0220	61,954	10,439	271	142							
N-2	R0230	74,464	12,934	345								
N-1	R0240	80,937	19,000									
N	R0250	101,818										

IR.19.01.21.02

Accident year / Underwriting year	1

Gross Claims Paid (non-cumulative) - Current year, sum of

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100		
N-9	R0160	0	37,505
N-8	R0170	2	41,273
N-7	R0180	0	47,935
N-6	R0190	0	55,562
N-5	R0200	1	61,231
N-4	R0210	12	60,029
N-3	R0220	142	72,805
N-2	R0230	345	87,743
N-1	R0240	19,000	99,937
N	R0250	101,818	101,818
Total	R0260	121,320	665,838

IR.19.01.21
Non-life insurance claims
IR.19.01.21.03

Accident year / Underwriting year	1

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											0
N-9	R0160										0	
N-8	R0170									0		
N-7	R0180								0			
N-6	R0190							0				
N-5	R0200						0					
N-4	R0210					3						
N-3	R0220				11							
N-2	R0230			95								
N-1	R0240		516									
N	R0250	43,314										

IR.19.01.21
Non-life insurance claims
IR.19.01.21.04

Accident year / Underwriting year	1

Gross discounted Best Estimate Claims

		Year end (discounted data)
		C0360
Prior	R0100	0
N-9	R0160	0
N-8	R0170	0
N-7	R0180	0
N-6	R0190	0
N-5	R0200	0
N-4	R0210	2
N-3	R0220	10
N-2	R0230	90
N-1	R0240	488
N	R0250	41,261
Total	R0260	41,852

IR.19.01.21
Non-life insurance claims
IR.19.01.21.22

Accident year / Underwriting year	1

Gross premium

		Gross earned premium at reporting reference date	Estimate of future gross earned premium
		C0570	C0580
Prior	R0100		
N-9	R0160	72,568	
N-8	R0170	75,438	
N-7	R0180	88,864	
N-6	R0190	104,897	
N-5	R0200	116,999	
N-4	R0210	125,737	
N-3	R0220	132,526	
N-2	R0230	144,998	
N-1	R0240	156,521	
N	R0250	166,621	

IR.23.01.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds						
Ordinary share capital (gross of own shares)	R0010	11,700	11,700		0	
Share premium account related to ordinary share capital	R0030	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	62,778	62,778			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Total basic own funds	R0290	74,478	74,478	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees	R0340	0			0	
Letters of credit and guarantees other	R0350	0			0	0
Supplementary members calls	R0360	0			0	
Supplementary members calls - other	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	74,478	74,478	0	0	0
Total available own funds to meet the MCR	R0510	74,478	74,478	0	0	
Total eligible own funds to meet the SCR	R0540	74,478	74,478	0	0	0
Total eligible own funds to meet the MCR	R0550	74,478	74,478	0	0	
SCR	R0580	25,224				
MCR	R0600	11,351				
Ratio of Eligible own funds to SCR	R0620	295%				
Ratio of Eligible own funds to MCR	R0640	656%				

IR.23.01.01.02
Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	74,478
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Deductions for participations in financial and credit institutions	R0725	0
Other basic own fund items	R0730	11,700
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced fund	R0740	0
Reconciliation reserve	R0760	62,778

IR.25.04.21

Solvency Capital Requirement

		C0010
Market risk	R0140	8,149
Interest rate risk	R0070	2,431
Equity risk	R0080	0
Property risk	R0090	0
Spread risk	R0100	3,033
Concentration risk	R0110	6,492
Currency risk	R0120	1,954
Other market risk	R0125	0
Diversification within market risk	R0130	(5,760)
Counterparty default risk	R0180	3,127
Type 1 exposures	R0150	1,367
Type 2 exposures	R0160	1,969
Other counterparty risk	R0165	0
Diversification within counterparty default risk	R0170	(208)
Life underwriting risk	R0270	0
Mortality risk	R0190	0
Longevity risk	R0200	0
Disability-Morbidity risk	R0210	0
Life-expense risk	R0220	0
Revision risk	R0230	0
Lapse risk	R0240	0
Life catastrophe risk	R0250	0
Other life underwriting risk	R0255	0
Diversification within life underwriting risk	R0260	0
Total health underwriting risk	R0320	0
Health SLT risk	R0280	0
Health non SLT risk	R0290	0
Health catastrophe risk	R0300	0
Other health underwriting risk	R0305	0
Diversification within health underwriting risk	R0310	0
Non-life underwriting risk	R0370	21,646
Non-life premium and reserve risk (ex catastrophe risk)	R0330	21,165
Non-life catastrophe risk	R0340	1,681
Lapse risk	R0350	0
Other non-life underwriting risk	R0355	0
Diversification within non-life underwriting risk	R0360	(1,200)
Intangible asset risk	R0400	0
Operational and other risks	R0430	4,999
Operational risk	R0422	4,999
Other risks	R0424	0
Total before all diversification	R0432	45,089
Total before diversification between risk modules	R0434	37,921
Diversification between risk modules	R0436	(6,213)
Total after diversification	R0438	31,708
Loss-absorbing capacity of technical provisions	R0440	0
Loss-absorbing capacity of deferred taxes	R0450	(6,484)
Other adjustments	R0455	0
Solvency capital requirement including undisclosed capital add-on	R0460	25,224
Disclosed capital add-on - excluding residual model limitation	R0472	0
Disclosed capital add-on - residual model limitation	R0474	0
Solvency capital requirement including capital add-on	**R0480**	**25,224**
Biting interest rate scenario	R0490	increase
Biting life lapse scenario	R0495	

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	20,194

Background information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	9,604	8,761
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	244	692
Miscellaneous financial loss insurance and proportional reinsurance	R0130	56,411	67,372
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{L} Result	R0200	0

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

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation

		C0070
Linear MCR	R0300	20,194
SCR	R0310	25,224
MCR cap	R0320	11,351
MCR floor	R0330	6,306
Combined MCR	R0340	11,351
Absolute floor of the MCR	R0350	2,400
Minimum Capital Requirement	R0400	11,351

Motors Insurance Company
An AmTrust Financial Company