Standard Club

By your side

The Standard Club Ireland DAC

Solvency and Financial Condition Report (SFCR) 2022

CONTENTS

SUMMARY

This is the Solvency and Financial Condition Report (SFCR) for The Standard Club Ireland DAC ("Standard Ireland") for the year ended 20 February 2022. The purpose of the SFCR is to meet the public disclosure requirements of Articles 290 to 303 of the Commission Delegated Regulation (EU) 2015/35.

The report sets out different aspects of Standard Ireland's solvency and financial condition, specifically its business and performance, system of governance, risk profile, valuation methods used for the calculation of its balance sheet, and capital management practices. The report should be read in conjunction with the information in the quantitative reporting templates provided at the end of this report. Standard Ireland's financial year runs to 20 February each year and reports its results in US dollars.

The ultimate administrative body that has the responsibility for these matters is Standard Ireland's board of directors, with the help of various governance and control functions that it has put in place to monitor and manage the business.

Standard Ireland's solvency position as at 20 February 2022 is shown below:

As at 20 February	2022 US$'000	2021 US$'000
Own Funds - Basic (Ordinary share capital)	**724**	724
Own Funds - Basic (Reconciliation reserve)	**2,056**	1,797
Own Funds - Basic (Capital contribution)	**30,000**	30,000
Own Funds - Ancillary	**12,244**	10,583
Total Own Funds	**45,024**	43,104
Solvency Capital Requirement	**24,489**	21,167
Solvency II Surplus	**20,535**	21,937
Cover ratio	**184%**	204%

Business and performance

Standard Ireland is a subsidiary of a marine mutual insurance company, providing marine protection and indemnity (P&I) insurance and related covers to its shipowner members. Standard Ireland, incorporated in Ireland on 13 August 2018, is a designated activity company limited by shares. Standard Ireland is wholly owned by The Standard Club Ltd ("Standard Club" or "club"), a Bermudian based mutual insurance undertaking, which is the ultimate parent and ultimate controlling party in the group. Standard Club is a mutual founded in the 1880's and, as such, its strategy is determined by its mutual ethos of servicing the needs of its policyholders as its members. Structurally, as a mutual, the members of each business class of Standard Ireland are also members of the relevant business classes of Standard Club and are entitled to voting rights according to the bye-laws of Standard Club. Standard Ireland is managed by a group management company, Standard Club Management (Europe) Limited, and other related group management companies ("managers").

As a mutual insurance company, Standard Ireland's strategy is aligned to that of Standard Club which does not aim to make underwriting surpluses and instead its goal is break-even underwriting with investment returns used to strengthen the club's capital base.

Standard Ireland's gross premium written is $148.7m (2021: $148.2m). Standard Ireland recorded a loss for the year of $0.1m (2021: profit of $4.3m).

Section A of this report sets out further details about Standard Ireland's business structure, key operations and financial performance over the reporting period.

System of Governance

Standard Ireland's board is responsible for ensuring that an appropriate system of governance is in place. The board's role is to lead and represent the members, promoting their interests effectively within a framework of processes and controls. The board is responsible for setting strategy and seeing that Standard Ireland is managed in accordance with risk appetite. The board delegates clearly defined matters to its Audit and Risk Committees (the membership of which is the same as the board), including in-depth monitoring of the internal control and risk management frameworks.

The system of governance has not changed materially during the year. As part of the transition to a new operating model the club's board and managers carried out a governance review to determine whether the current governance structure was effective and fit for purpose. The review concluded that the governance structure was effective and fit for purpose, however a number of proposed changes to the governance structure were presented to the board and approved. In addition, at the request of the Central Bank of Ireland, a third-party governance review of Standard Ireland's board and board sub-committee operational effectiveness was carried out. No material issues were identified however the third-party reviewer provided recommendations to enhance the company's governance which are in the process of being implemented.

Section B of this report provides further detail about Standard Ireland's system of governance, the roles and responsibilities of the board and the four key control functions (Risk Management, Actuarial, Compliance and Internal Audit). It covers the risk management framework and internal control system and explains how it complies with the requirements of Solvency II. It also describes the approach to Standard Ireland's Own Risk and Solvency Assessment (ORSA) and governance over the process.

Risk profile

The primary risk Standard Ireland faces is the non-life underwriting risk of the insurance it provides to its members.

Standard Ireland has significant levels of external reinsurance to protect itself from large claim events, and also has a 90% quota share reinsurance with its fellow Standard group subsidiary, Standard Reinsurance (Bermuda) Ltd ("Standard Re"). Although this comprehensive reinsurance protection mitigates the level of non-life underwriting risk, it does generate a large secondary risk arising from potential counterparty default.

Standard Ireland also faces market risk, arising out of its investment portfolio, and operational risk.

The Solvency Capital Requirement (SCR) which is calculated as Solvency II Own Funds at risk in a 1-in-200-year loss event over a 1-year time horizon (and calculated using the standard formula) quantifies these risks. A summary of Standard Ireland's diversified SCR by primary risk type at 20 February 2022 is set out below:

Solvency Capital Requirement (SCR)	**2022 US$'000**	2021 US$'000
Market risk	**1,499**	1,516
Counter party default risk	**11,630**	8,915
Non-life underwriting risk	**10,934**	9,304
Undiversified BSCR	**24,063**	19,735
Diversification	**(4,035)**	(3,453)
Basic SCR	**20,028**	16,282
Operational risk	**4,461**	4,885
Final SCR	**24,489**	21,167

Minimum Capital Requirement (MCR)	**6,122**	5,292

The Solvency II diversification credit recognises that the economic capital required for Standard Ireland is less than the sum of the capital requirements of each risk component calculated on a stand-alone basis because it is unlikely every risk will materialise at the same time.

Section C of this report further describes the risks to which Standard Ireland is exposed, how the risks are assessed and mitigated, including any specific risk mitigation actions taken, risk concentrations and risk sensitivity.

Valuation for Solvency Purposes

Assets, technical provisions, and other liabilities are valued in the Company's Solvency II Balance Sheet according to Solvency II regulations, that is essentially at amounts for which they could be exchanged, transferred or settled by knowledgeable and willing third parties in an arm's length transaction.

At 20 February 2022, Standard Ireland's excess of assets over liabilities is $32.8m (2021: $32.5m) on a Solvency II basis which is $2.8m lower (2021: $3.1m lower) than the value under Irish GAAP as presented in Standard Ireland's financial statements. The difference is primarily driven by the inclusion of the risk margin required to be held for Solvency II as part of the technical provisions.

Section D of this report provides further description of the bases, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities for each material asset/liability class. In addition, it also provides an explanation of the material differences between the Irish GAAP and Solvency II bases of valuation.

Capital management

The primary objective of capital management is to maintain economic and regulatory capital in accordance with risk appetite, whilst managing the balance between return and risk.

The board's tolerance for risk (at both Standard Ireland and Standard Club level) is limited by the desire to minimise the chance of making unbudgeted calls on the membership, and so Standard Ireland seeks to maintain sufficient capital such that the chance of a supplementary call is less than 10% over the financial year.

Standard Ireland's basic own funds are equal to the excess of assets over liabilities of its Solvency II balance sheet, $32.8m (2021: $32.5m). This is split between ordinary share capital (tier one capital $0.7m (2021: $0.7m)), reconciliation reserve (tier one capital, $2.1m surplus (2021: $1.8m)) and capital contribution from the parent company (tier one capital, $30.0m (2021: $30.0m)).

Standard Ireland's tier two ancillary own funds of $12.2m (2021: $10.6m) recognises the ability of Standard Ireland to make unbudgeted supplementary calls (tier 2 capital is capped at 50% of the SCR). The ability of mutual insurance companies to receive additional capital from their members through supplementary calls, whether budgeted or unbudgeted, is a particular strength of the shipowner mutual model, one which is explicitly recognised in the Solvency II text on ancillary own funds.

Own funds (at both Standard Ireland and Standard Club level) are well in excess of regulatory capital requirements.

Section E of this report further describes the own funds of Standard Ireland, calculation of the SCR and MCR, and an assessment of future capital requirements and surplus capital of Standard Ireland.

New operating model

On 20 August 2021 Standard Club completed its transition to a new operating model with core management performed by 'in house' managers owned by Standard Club. The same management team remains in place, with the same individuals and teams continuing to service members' and brokers' needs and carrying out core management, underwriting, claims handling, loss prevention, finance, reserving and control activities. This change has enabled Standard Club to insource and manage its day-to-day operations, while retaining the entrepreneurial and member-centric culture that has led to its success over many decades. As part of the transition, the outsourcing framework under which the new operating model is governed has been reviewed. New contractual agreements are in place with Charles Taylor with effect from August 2021 for the provision of support services including Standard Club's technology and services, investment management, internal audit and other support services under multi-year contracts.

North merger

On 14 March 2022, Standard Club announced it was in discussions with North P&I about combining jointly to create a club at the forefront of global marine insurance, acting as a powerful industry voice, upholding the values of the International Group system. A dedicated project team has been established to ensure all aspects of the discussion are managed effectively. Members votes are planned for 27 May 2022. If approved, the formal merger of both clubs is expected to complete by 20 February 2023.

Environmental, social and governance (ESG)

Standard Club has long held a forward-looking approach to identifying, assessing, managing and monitoring risks and in October 2020 an internal Sustainability Working Group was established, to ensure a coordinated and strategic approach to the club’s management of these issues. In 2021, the club conducted an internal materiality assessment to understand the full impact of any environmental, social and governance issues which might affect the organisation, while highlighting any areas for potential meaningful change moving forward. This assessment has enabled the club to identify the sustainability topics which are most material to its operations and long-term success. The intention being to ensure that trends are identified which might affect the club’s ability to provide P&I covers which represent excellent and sustainable value; enhance business strategy using materiality inputs to reflect new business risks and opportunities; prioritise the club’s resources to address sustainability issues that matter most to members and other stakeholders; and to identify areas of interest to the club’s key stakeholders.

The club’s first sustainability report will be published later this year, outlining the findings from this initial assessment and the club’s coordinated and strategic approach to managing sustainability issues in the future. As a member of the International Group (IG) of P&I Clubs, the club also supports the IG’s sustainability strategy and has actively contributed to the IG’s own sustainability report which is due to be published in the summer of 2022.

Climate change represents one of the greatest long-term risks for society and industry, including the insurance and shipping industry. The club continues to take a strategic and long-term approach to managing the insurance risks of its members associated with climate change which are considered as part of the governance and risk management framework. Risks from climate change have been included in Standard Ireland’s risk appetite across key risk areas. The club uses scenario analysis to inform the risk identification process to further understand the short- and long-term financial risks in its business model. The emerging risk framework monitors physical, transitional and litigation risks from climate change and a cross-divisional working group inputs into the risk management framework. The maritime industry is embarking on a major technology transition driven by the need to decarbonise which will have a significant impact on costs, asset values, and earning capacity as it shifts from conventional to zero or carbon neutral fuels. The club continues to look at ways that it can further develop its framework in relation to climate change and has identified the need for industry wide common metrics to facilitate meaningful targets and a deeper understanding of the challenges facing our members.

In terms of the club’s day-to-day operations, the managers have taken steps to reduce carbon footprint and minimise energy consumption through an energy management policy and by promoting and building awareness of environmental responsibility amongst their employees. They communicate and engage with staff to identify, assess and reduce operational impact on the environment.

Covid-19

The directors have been monitoring the development of the impacts of COVID-19 throughout the pandemic. Claims related to COVID-19 have been tracked throughout the year and claims estimates (including IBNR) for the 2021/22 year is approximately $10m. This net claim impact on Standard Ireland is mitigated by the 90% quota share reinsurance with Standard Re. Standard Ireland has adapted successfully to a hybrid working environment, reflecting previous investments to support the resilience of the workforce, ensuring that the club has maintained a high level of service to members.

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

Company Information

1. **Name**
   The Standard Club Ireland Designated Activity Company

2. **Legal form**
   A Designated Activity Company, limited by shares, registered in the Republic of Ireland No. 631911

3. **Supervisory authority of company**
   The Central Bank of Ireland
   North Wall Quay
   North Dock
   Dublin 1
   D01 F7X3

4. **Supervisory authority of parent**
   Bermuda Monetary Authority
   BMA House
   43 Victoria Street
   Hamilton HM12
   Bermuda

   Mailing address
   PO Box 2447
   Hamilton HMJX
   Bermuda
   Tel: (441) 295 5278

5. **Managers**
   Standard Club Management (Europe) Limited and other related group management companies governed by associated intragroup services agreements.

6. **Auditors**
   BDO
   Beaux Lane House
   Mercer Street Lower
   Dublin 2
   D02 DH60

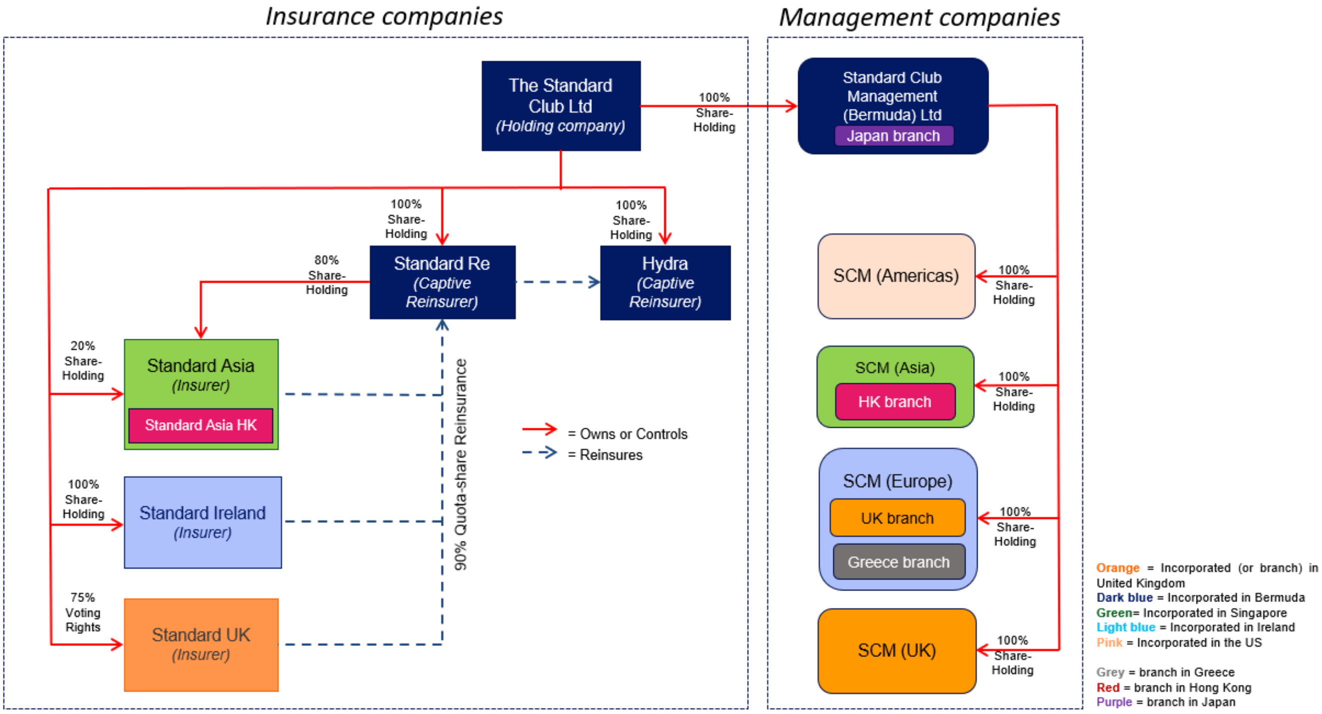
7. **Holders of qualifying holdings**
   The directors regard The Standard Club Limited ("Standard Club"), a company limited by guarantee and registered in Bermuda (no. 1837), as the immediate and ultimate parent undertaking and ultimate controlling party by virtue of its 100% shareholding in Standard Ireland.

   Copies of the consolidated financial statements of Standard Club can be obtained from the registered office: Swan Building, 26 Victoria Street, Hamilton HM 12, Bermuda, and from the website:
   Annual Reports - Standard Club (standard-club.com)

8. **Principal activities**
   The principal activities of Standard Ireland are the insurance and reinsurance of marine protection and indemnity (P&I) and related risks, war risks, strike and delay and defence risks, on behalf of its members. The company conducts business internationally, mostly in Europe. Standard Ireland provides insurance on a freedom of services basis throughout the European Union and European Economic Area and has a branch in the UK.

9. Group structure

The group structure chart as at March 2022 indicating the position of Standard Ireland within the Standard Club group is shown below.



10. Other information

On 20 August 2021 Standard Club completed its transition to a new operating model with core management performed by an 'in house' manager owned by Standard Club. The same management team remains in place, with the same individuals and teams continuing to service members' and brokers' needs and carrying out core management, underwriting, claims handling, loss prevention, finance, reserving and control activities. This change has enabled Standard Club to insource and manage its day-to-day operations, while retaining the entrepreneurial and member-centric culture that has led to its success over many decades. As part of the transition to the new operating model the outsourcing framework under which the new operating model is governed has been reviewed. New contractual arrangements are in place with Charles Taylor with effect from August 2021 for the provision of support services including Standard Club's technology and services, investment management, internal audit and other support services under multi-year contracts.

On 14 March 2022 Standard Club announced that it was in discussions with North Protection & Indemnity Club to explore the potential of combining to jointly create a club at the forefront of global marine insurance, acting as a powerful industry voice, upholding the values of the International Group system. The directors of the Standard Club board gave its approval for discussions to continue. A dedicated project team has been established to ensure all aspects of the discussions are managed effectively. Members votes are planned for 27 May 2022. If approved, the formal merger of both clubs is expected to complete by 20 February 2023.

A.2 UNDERWRITING PERFORMANCE

As a mutual insurance company, Standard Ireland does not aim to make underwriting surpluses and instead its goal is break-even underwriting, with investment returns used to strengthen Standard Ireland's capital base.

Standard Ireland achieved a financial year combined ratio of 100% (2021: 99%) after application of the quota share reinsurance with the club's fellow subsidiary, Standard Re, and 101% before quota share (2021: 94%). Standard Ireland's free reserves stood at $34.9m at the year-end (2021: $34.9m).

Standard Ireland's underwriting result as set out in Standard Ireland's financial statements is as follows:

	Note	**2022 US$000**	2021 US$000
Technical account for non-life insurance business			
Gross premiums earned, including calls	5	**148,693**	148,214
Outward reinsurance premiums	6	**(137,095)**	(135,769)
Earned premiums, net of reinsurance		**11,598**	12,445
Expenditure			
Gross claims paid	7	**77,971**	51,714
Reinsurers' share	8	**(70,195)**	(46,543)
Net claims paid		**7,776**	5,171
Change in provision for gross claims		**39,353**	62,380
Reinsurers' share		**(36,738)**	(57,541)
Change in net provision for claims		**2,615**	4,839
Claims incurred, net of reinsurance		**10,391**	10,010
Net operating expenses	9	**1,393**	1,129
Total expenditure		**11,784**	11,139
Balance on the technical account for non-life insurance business		**(186)**	1,306
Non-technical account			
Balance on the technical account for non-life insurance business		**(186)**	1,306
Investment return net of expenses and charges	10	**2**	3,156
Profit on foreign exchange		**129**	381
Profit on ordinary activities before taxation		**(55)**	4,843
Tax on ordinary activities	11	**(8)**	(560)
Profit for the financial year		**(63)**	4,283

Premium income for the year ended 20 February 2022 analysed by country of management is as follows:

Italy	28%	France	3%
Greece	17%	Turkey	2%
Netherlands	12%	Russia	2%
Denmark	10%	Switzerland	2%
Monaco	6%	Norway	2%
Germany	6%	Rest of Europe	4%
Cyprus	5%	Rest of World	1%

A.3 INVESTMENT PERFORMANCE

Standard Ireland's policy is to invest predominantly in stable assets. As such, the investment portfolio consists of fixed income assets and cash, as summarised below taken from the Solvency II balance sheet. Section D.1 provides further detail on the difference in valuation between Irish GAAP and Solvency II.

Investment types	2022 US$000	2021 US$000
Government bonds	**37,554**	37,725
Corporate bonds	**-**	-
Collateralised securities	**-**	-
Bonds	**37,554**	37,725
Equities	**-**	-
Collective investments	**-**	-
Deposits other than cash equivalents	**-**	-
Cash and cash equivalents	**1,890**	3,216
Total investments	**39,444**	40,941

Standard Ireland achieved an overall investment return of $2k (2021: $3.2m) as analysed below.

	2022 US$000	2021 US$000
Equities	**-**	-
Bonds	**642**	555
Cash and cash equivalents	**(10)**	7
Gains arising on realisation of investments	**1,852**	1,825
Total investment income	**2,484**	2,387
Investment management expenses	**(80)**	(39)
Losses on realisation of investments	**(9)**	(3)
Total Investment expenses and charges	**(89)**	(42)
Movement in unrealised gains on investments	**(1,781)**	914
Movement in unrealised losses on investments	**(612)**	(103)
Total unrealised gains	**(2,393)**	811
Total investment return	**2**	3,156

There were no investments in equities or in securitisations as at 20 February 2022.

Investment management expenses of $80k (2021: $39k) comprises bank charges and investment manager's fees.

A.4 PERFORMANCE OF OTHER ACTIVITIES

The club has no material income or expenses other than the income and expenses included in section A.2.

A.5 ANY OTHER INFORMATION

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Standard Club is already helping to underpin economic development and address sustainability issues on behalf of its members by actively preventing and managing the consequences of maritime losses. However, there are many other ways the club is working to support sustainability across the industry and in its own activities.

Standard Club has long held a forward-looking approach to identifying, assessing, managing and monitoring risks and in October 2020 an internal Sustainability Working Group was established, to ensure a coordinated and strategic approach to the club's management of these issues. The club's sustainability team is made up of representatives from all different aspects of the business: claims, underwriting, loss prevention, risk, compliance, marketing and finance. The team reports direct to the group Chief Executive and in turn to the board. Alongside this, Standard Club's Alternative Fuels Working Group, internal Climate Change and Ship Recycling go-to teams, and CSR employee resource group are closely linked to the sustainability team, sharing insights and working together on key topics which impact upon the club, its members and staff.

In 2021, the club conducted an internal materiality assessment to understand the full impact of any environmental, social and governance issues which might affect the organisation, while highlighting any areas for potential meaningful change moving forward. This assessment has enabled the club's management team to identify the sustainability topics which are most material to the club's operations and its long-term success. The intention being to ensure that trends are identified which might affect the club's ability to provide P&I covers which represent excellent and sustainable value; enhance business strategy using materiality inputs to reflect new business risks and opportunities; prioritise the club's resources to address sustainability issues that matter most to members and other stakeholders; and to identify areas of interest to the club's key stakeholders.

Climate change represents one of the greatest long-term risks for society and industry, including the insurance industry. The club continues to take a strategic and long-term approach to managing the insurance risks of its members associated with climate change which are considered as part of the governance and risk management framework. Risks from climate change have been included in the club's risk appetite across key risk areas. The club uses scenario analysis to inform the risk identification process to further understand the short- and long-term financial risks in our business model. The emerging risk framework monitors physical, transitional and litigation risks from climate change and a cross-divisional working group inputs into the risk management framework. The club continues to look at ways that it can further develop its framework in relation to climate change and has identified the need for industry wide common metrics to facilitate meaningful targets and a deeper understanding of the challenges facing our members.

The International Maritime Organization (IMO) reports that maritime transport is responsible for about 3% of global greenhouse gas (GHG) emissions and the IMO adopted an Initial Strategy in 2018 on the reduction of GHG emissions from shipping by at least 50% by 2050, compared to 2008 levels, with an interim goal of 40% emissions reduction by 2030. In June 2021, IMO adopted key short-term measures to be introduced in 2023 aimed at facilitating the identification of industry metrics such as the Energy Efficiency Existing Ship Index (EEXI) and for ships over 5,000 gross tonnes an annual operational carbon intensity indicator (CII) and CII rating. The maritime industry is embarking on a major technology transition driven by the need to decarbonise which will have a significant impact on costs, asset values, and earning capacity as it shifts from conventional to zero or carbon neutral fuels. Standard Club's Alternative Fuel Working Group was established internally to assist members with their transition to alternative fuels, and an Alternative Fuel Advisory Panel has been set up comprising of experts from across the industry to help the Group with wider concerns. A survey by this group is currently assessing the club's members preparedness for the transition and the results will be used to further develop the club's management of this important risk.

Standard Club's first sustainability report will be published later this year, outlining the findings from this initial assessment and the club's coordinated and strategic approach to managing sustainability issues in the future. As a member of the International Group (IG) of P&I Clubs, Standard Club also supports the IG's sustainability strategy and has actively contributed to the IG's own sustainability report which is due to be published in the summer of 2022.

In terms of the club's day-to-day operations, the managers have taken steps to reduce carbon footprint and minimise energy consumption through an energy management policy and by promoting and building awareness of environmental responsibility amongst their employees. They communicate and engage with staff at all levels to identify, assess and reduce operational impact on the environment.

The shift to agile working, with staff working a number of days per week from home, has cut commuting emissions and business travel emissions compared with pre-Covid levels. With the restrictions around travel being eased, the managers are looking at ways to preserve these carbon savings through the continued use of conferencing technologies. Furthermore, we are actively encouraging staff to consider the environmental impacts of travel when determining whether a business trip is necessary.

There is a target of purchasing electricity globally from renewable energy sources. Where practicable, the managers source other supplies from local businesses to minimise distribution and transport-related emissions. Suppliers are required, as far as reasonable, to have an appropriate environmental policy.

COVID-19

The directors have been monitoring the development of the impacts of COVID-19 throughout the pandemic. Claims related to COVID-19 have been tracked throughout the year and claims estimates (including IBNR) for the 2021/22 year is approximately $10m. This net claim impact on Standard Ireland is mitigated by the 90% quota share reinsurance with Standard Re. Standard Ireland has adapted successfully to a hybrid working environment, reflecting previous investments to support the resilience of the workforce, ensuring that the club has maintained a high level of service to members.

UKRAINE/RUSSIA

In late February 2022, Russia launched an attack on Ukraine, marking a sudden escalation of the conflict between the two countries. As a result, significant sanctions have been placed on Russia by countries such as the United States of America, the United Kingdom and members of the European Union. The club established an internal working group to consider and monitor the impact on our business and members of the evolving situation in Ukraine. The team has representatives from Legal, Claims, Underwriting, Reinsurance, Risk, Compliance, Actuarial, Loss Prevention, the Sanctions Team, and Finance (including investments). The working group convenes at least twice weekly to assess the position of the club and provide guidance to staff and members on related developments.

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON SYSTEM OF GOVERNANCE

System of Governance

1. Governing body – the board of Standard Ireland
The board of Standard Ireland comprises five directors, of which:

- Two are independent non-executive directors with experience of the insurance industry within Ireland and the regulatory requirements of the Central Bank of Ireland;
- One is drawn from a leadership position within a shipping business insured by Standard Ireland and is non-executive chairman of Standard Club;
- The Chairman is a non-executive director with insurance industry experience and sits on the board of Standard Club;
- One is a Standard Club group employee and is the managing director of Standard Ireland.

a) Role of the board
The role of the board is to focus on those tasks that are unique to it as the representative of the members and necessary for it to undertake the effective promotion of their interests.

The board is responsible for the overall management of the company. Its responsibilities include:

- to approve Standard Ireland's business strategy;
- to approve any changes to the company's capital structure;
- to set Standard Ireland's risk appetite and approve the company's risk appetite statement;
- to review the effectiveness of the company's risk and control processes and management systems to ensure that the company is managed prudently and in accordance with legal and regulatory requirements;
- to review Standard Ireland's overall governance arrangements;
- to decide such other specific matters which are reserved for the board's decision.

2. Board committees
The board has established an Audit Committee and a Risk Committee, the membership of which is the same as the board.

a) The Audit Committee is delegated duties relating to:

- Financial reporting;
- Internal controls;
- Internal audit ('IA') – monitoring of IA effectiveness; make recommendations on the appointment/removal of the head of IA; consider the mandate of IA, consider the remit and resources of IA; assess the annual audit plan relating to the company; review reports from IA; monitor the managers' responsiveness to findings and recommendations of IA; meet with IA without management (at least annually);
- External audit – make recommendations on the appointment, re-appointment and removal of the external auditor, oversee the relationship with the external auditor (including, inter alia: fees, independence and non-audit work).

b) The Risk Committee is delegated duties relating to:

- Providing oversight and advice to the board on the current risk exposures of Standard Ireland and future risk strategy;
- Review the board's overall risk appetite;
- Review of internal controls, compliance and risk management systems – strategies and policies; management mitigants; inputs and results of the company's internal model; the company's ORSA.
- Oversee relationships with regulatory authorities in Ireland and where appropriate other jurisdictions, and review developments and prospective changes in the regulatory environment;
- To monitor the continuing solvency of Standard Ireland by reference to regulatory requirements and ORSA capital.

3. The board of Standard Club

The board of Standard Club, the parent company, comprises 28 directors, the vast majority of whom are representatives of the member insureds. Two of the directors of Standard Ireland are also directors of Standard Club.

The purpose, role and duties of the board of Standard Club are set out in the board policies statement. The board has a schedule of matters reserved for consideration by the board and has established a number of board committees: Audit and Risk Committee, Nomination and Governance Committee, Remuneration Committee.

In addition to the two cross directorships between Standard Ireland and Standard Club, the independent non-executive directors of Standard Ireland are invited attendees to the Standard Club board and Audit and Risk Committee, in order to provide appropriate insight to discussions in these forums which are relevant for Standard Ireland.

In addition, a ‘Chairman’s Group’ comprising the chair and deputy chairmen of Standard Club, chair of Standard Asia, Standard Ireland and Standard UK, the chair of each Standard Club board committee, and a past chair of Standard Club, reviews the affairs of Standard Club with the managers between board meetings.

4. Delegation of responsibilities and allocation of functions

a) Delegation of day-to-day management
The day-to-day management of Standard Club and its subsidiary companies (including Standard Ireland) is delegated to the managers by virtue of a management agreement with Standard Club Management (Bermuda) Ltd and associated intragroup services agreements

b) Management Agreement
The management agreement and the related intragroup agreement sets out the terms upon which the managers provide management services to Standard Club. The management agreement was amended to accommodate the transition to the new operating model in August 2021. The club manages its intragroup services via its management agreement and associated intragroup services agreements of the management companies, which are the basis of support provided by the management companies to the relevant insurance companies.

c) Long Term Services Agreement and Key Performance Indicators
The outsourced services provided to Standard Club by Charles Taylor are subject to a Long-Term Services agreement (“LTSA”) which forms part of, and is subject to, the Management Agreement. A Service Level Agreement (“SLA”) sets out the key performance indicators (KPI’s) for Standard Club’s success, including tonnage, premium income, free reserves, underwriting result, investment result, financial ratios, member satisfaction, and implementation of the business plan.

In addition, the managers’ performance is assessed with regards to delivery against approximately fifty service requirements, and with regards to management costs.

The Standard Club Nomination and Governance Committee and the board of Standard Ireland review the managers’ performance on an annual basis.

d) Oversight of the outsourced function
The chairman of Standard Ireland is responsible for overseeing the performance of the outsourcing arrangements with the managers and the performance of other outsourced activities with respect to Standard Ireland in accordance with EIOPA’s Guidelines on Systems of Governance.

e) Executive management arrangements
The day-to-day management of Standard Club, including Standard Ireland, is led by executives who are members of the executive committee of the managers. The membership of this executive committee comprises the group chief executive officer, each of the CEO’s direct reports, and senior colleagues who report into the CEO’s direct reports. Membership of the executive committee includes the Managing Director, the Finance Director, the Head of Risk and the Head of Compliance, the Manager of the UK branch, Head of Claims and

Head of Actuarial Function of Standard Ireland. The Head of Internal Audit, whilst not a member, attends meetings of the committee.

As well as this executive committee, the following committees have been established in order for the managers to discharge their responsibilities and manage the business day-to-day:

- Claims committee
- Discretionary claims committee
- Finance committee
- IT steering committee
- Risk committee
- Underwriting committee
- Portfolio management committee
- Reinsurance review committee
- Reserving committee
- Regulatory committee

Each of the committees has prescribed terms of reference setting out the roles, duties and reporting requirements.

The board has established a board reporting policy under which the managers are required to provide the board with a complete overview of the affairs of Standard Ireland, covering all key areas of its operations in sufficient detail to allow the board to discharge its responsibilities.

5. Training
An annual programme of training is provided to the board and its committees, key function holders and other staff.

6. Internal audit and compliance
Reviews of management functions are carried out to assess performance against KPIs.

7. Annual appraisal process / board evaluation
As part of Standard Ireland's governance processes, and in line with good corporate governance practices, Standard Ireland conducts periodic board and committee evaluations.

The purpose of the evaluation is to help the board, committees and individual directors perform to their maximum capabilities, and:

- assess the balance of skills within the board / committee;
- identify attributes required for any new appointments;
- review practices and procedures to improve efficiency and effectiveness;
- consider the effectiveness of the board / committee's decision-making processes;
- recognise the board / committee's outputs and achievements.

In September 2021 the board carried out an annual effectiveness review which was reported to the board in October 2021. Each member of the board was requested to complete a detailed questionnaire focussing on the effectiveness of the board and committee meetings, the organisation and the running of the meetings. The evaluation concluded that the board and its committees were operating effectively.

The Nomination and Governance Committee makes recommendations to the board in respect of enhancements that it considers desirable following its review of the evaluation results.

As part of the transition to the new operating model the club's board and managers carried out a governance review to determine whether the current governance structure was effective and fit for purpose. The review was overseen by a working group comprising the chairs of Standard Club, and each subsidiary. It was concluded that the governance structure was effective and fit for purpose but a number of proposed changes to the governance structure were presented to the board and approved.

At the request of the Central Bank of Ireland, a third-party governance review of Standard Ireland's board and board sub-committee operational effectiveness was carried out. Standard Ireland commissioned PwC to carry out the review. PwC's work included review of board and sub-committee materials and interviews with a number of directors and managers. The results were presented to the board at its meeting in January 2022 and subsequently submitted to the Central Bank of Ireland. Overall, the review did not identify any material issues, and noted many good practices being used by Standard Ireland. The report contained minor observations and recommendations in order to assist the board and sub-committees discharge their duties appropriately. The recommendations are in the process of being implemented

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

Notwithstanding the changes detailed in B7, there have been no material changes to Standard Ireland's system of governance during the reporting period.

In light of the announcement that Standard Club is in discussions with North P&I to explore the potential of combining to jointly create a club at the forefront of global marine insurance changes to the governance structures are anticipated. A dedicated project team, overseen by the Chairman's Group has been established to ensure all aspects are managed effectively.

Remuneration policy and practices

1. Directors' fees (including committees) – The Group's Remuneration Committee's terms of reference include the review and recommendation of changes to directors' fees, including those paid to the directors of Standard Ireland.

2. Management fee –the managers would submit a proposal in respect of the proposed fee to be paid by Standard Club to the managers, for the services provided under the management agreement for the following year, to the October meeting of the Nomination and Governance Committee, following prior discussion of the proposed fee level with the Chairman's Group.

The Nomination and Governance Committee would review the fee proposals and make a recommendation to the board, taking account of the fees paid by the other P&I clubs to their respective management companies. This process ceased upon conclusion of the transition to in-house management on 20 August 2021.

3. Remuneration policy - The Group's Remuneration Committee considers the remuneration policy of the managers across the group to ensure that it aligns with the interests of Standard Club and its subsidiaries and does not promote excessive risk taking. In doing so, it additionally considers the performance rating of the group chief executive officer in respect of the previous year and the objectives of the CEO and members of the managers' senior management team. The chair of the Remuneration Committee reports to the board on its review of the policy.

4. Summary of the remuneration policy of the managers – The managers' policy is to adopt and encourage a total view of remuneration, with the reward strategy being to place emphasis on variable pay and alignment to performance based on the achievement of objectives, rather than to focus on base pay. The total remuneration of the managers' employees consists of annual base salary, a discretionary annual bonus, pension, private medical insurance, group life assurance and group income protection cover. A review of the club's remuneration policy was carried out and recommended changes were implemented during 2021.

As Standard Ireland does not have employees, there are no supplementary pension or early retirement schemes to disclose.

Material transactions during the reporting period

Standard Club until 20 August 2021 paid an annual management fee to the managers and has engaged Charles Taylor for outsourced services (technology, investment management, internal audit and support services). One of the five directors of Standard Ireland is a representative of a member company. Three are insurance expert non-executive directors, and two are independent. The fifth is a senior employee of the Standard Club group and the managing director of Standard Ireland. Other than the insurance and membership interest of the member director's companies, the directors have no financial interests in Standard Club and its subsidiaries.

Standard Ireland has in place a comprehensive quota share reinsurance programme with its fellow group subsidiary, Standard Re, whereby 90% of premium (net of external reinsurance recoveries) will be ceded to Standard Re and 90% of claims (net of external reinsurance recoveries) will be recovered from Standard Re.

Aside from these there were no other material transactions during the reporting period with shareholders, persons who exercise a significant influence on the undertaking, or with members of the administrative, management or supervisory body.

B.2 FIT AND PROPER REQUIREMENTS

Following the announcement on 29 May 2020 Standard Club (and its subsidiaries) concluded the insourcing of management in August 2021. There are three basic groups of roles that can be considered key to Standard Ireland:

- The directors of Standard Ireland who are all individually subject to prior approval by the Central Bank of Ireland;
- The individuals employed directly by a subsidiary of Standard Club that perform significant roles for Standard Ireland and are individually subject to prior approval by the Central Bank of Ireland; and
- The Head of Internal Audit (a Charles Taylor employee) who performs a significant role for Standard Ireland and is individually approved by the Central Bank of Ireland.

There is also a skills and knowledge matrix used by Standard Ireland to ensure that the board has the right combination of skills, knowledge and experience to meet its regulatory obligations and the firm’s strategic and operational objectives.

A Fit and Proper Policy is in place for the Standard Club group and its subsidiaries and describes the objectives, roles and responsibilities and governance around the selection, due diligence and appointment of resources into the key roles. The Fit and Proper Policy is owned by the Board of Directors as a body and by the Standard Club Group CEO as a business owner. The policy is reviewed and approved at least annually.

The Fit and Proper Policy splits the necessary scrutiny into ensuring honesty, integrity and sound reputation, financial soundness of the individual proposed, and competency and capability in the role. The Policy applies to service providers if they hold a key function and is applied by the board’s Nomination and Governance Committee.

The Nomination and Governance Committee (of the Standard Club group) oversees that:

- Key roles are fit and proper at all material times;
- Appointments to key roles are appropriately reviewed;
- Due diligence is exercised in line with the policy when assessing individuals for key roles;
- The board composition in aggregate meets the aggregate needs of the Club’s governing body;
- Professional training is available to those individuals in key roles; and
- A clear rationale exists for changes to the senior management team.

B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

1. Overview of Standard Ireland's risk management system

Risk management system

The risk management system is owned and defined by the board. It is designed to ensure that risk strategy is consistent with overall business strategy and operates effectively within its documented risk appetite. The risk management system includes classification of risks in the risk register, assessment of risks in terms of likelihood and impact, and identification of key risk controls and indicators for each risk type. Oversight of the risk framework governance is delegated by the board to the Risk Committee, and formal roles, responsibilities and governance of risk are set out in the scope of individual senior management role descriptions, terms of reference of internal oversight committees and the policies and procedures used within the business.

The organisation of Standard Club group includes mechanisms which integrate the risk profile of Standard Ireland with the wider affairs of the group – for example, through the reinsurance of 90% of the risks of Standard Ireland to Standard Re. This reflects the ultimate beneficial ownership of Standard Ireland which resides with members of Standard Club who are policyholders of either Standard Ireland, Standard UK or Standard Asia. As a consequence, the risk management system for Standard Ireland considers risk at both a group level and with explicit consideration of the differing nature and view of risk at the Standard Ireland level.

"Three lines of defence" principle

The risk management system follows 'three lines of defence' principles widely used within the insurance industry. Management of risk is performed by business units on a day-to-day basis, supplemented by oversight and review of controls by the risk management and compliance functions and independent assurance that controls are adequate through testing performed by the internal audit department.

Risk management function

Standard Ireland's risk management framework is integrated into Standard Club's risk management function. The risk management function consists of the risk management department, including the Head of Risk for Standard Ireland, and other members of the executive team involved in oversight of the risk management processes of the business. The risk management department is responsible for co-ordinating the activities of the risk management function and maintaining effective risk management awareness across the business. The risk management department holds a quarterly risk committee with cross function and division representatives across the wider Standard Club group and is responsible for making recommendations and ensuring that the executive management across the wider Standard Club group is kept informed of key risk information and risk issues.

Risk strategy and appetite

Risk management strategy is subject to a formal strategic risk appetite statement, which sets out the degree of risk considered prudent to accept in the overall long-term interests of the stakeholders of Standard Ireland and Standard Club. The risk appetite and strategy of Standard Ireland is explicitly linked with the capital management objectives of the wider Standard Club group and Standard Club given its mutual ownership and ethos.

The strategic risk appetite statement requires the business to manage its affairs in a manner intended to:

- Reduce the likelihood that it is required to make an unbudgeted supplementary call on its members to an acceptable minimum;
- Target a breakeven underwriting result over the business planning horizon;
- Maintain delivery of excellent levels of service to members; and
- Ensure the degree of risk to which mutual members subject to supplementary calls are exposed from activities other than core underwriting activities (for example, from investments) is appropriate and commensurate with the expected benefits.

In addition, the business monitors the level of capital held to ensure it does not exceed that required for the orderly management of its affairs consistent with its mutual objectives, including maintaining its financial strength and external credit rating.

Risks from climate change have been included in the club's risk appetite across key risk areas. The club uses scenario analysis to inform the risk identification process to further understand the short- and long-term financial risks in our business model. The emerging risk framework monitors physical, transitional and litigation risks from climate change and a cross-divisional working group inputs into the risk management framework. The club continues to look at ways that it can further develop its framework in relation to climate change and has identified the need for industry wide common metrics to facilitate meaningful targets and a deeper understanding of the challenges facing our members.

Risk governance

The Standard Ireland Risk Committee and board review the risk appetite and risk policies at least annually in respect of the major business risks, their potential impact, and the systems to manage and mitigate those risks.

As Standard Ireland is an integral part of Standard Club, a marine liability mutual, an in-depth understanding of the risks facing the group is further facilitating by the cross-membership of two directors of the Standard Ireland Risk Committee at the group Audit and Risk Committee. Furthermore, the two independent non-executive directors of the Board and Risk Committee of Standard Ireland have a standing invite as guests of the group Audit and Risk Committee.

Responsibility for day-to-day management of risk is the responsibility of the risk management department, including the Head of Risk for Standard Ireland, and other members of the executive team involved in oversight of the risk management processes of the business. Standard Ireland monitors its exposures against the risk appetite on an ongoing basis using a system of key risk indicators and tolerances that are reported to the board at each meeting through the risk overview presented by the Head of Risk for Standard Ireland. The risk tolerance is the variance around the risk limit that Standard Ireland may operate in before the development of a remediation plan is required to be prepared by the managers. Breaches of risk limits require immediate escalation to the board for their consideration of remediation actions.

Solvency II SCR

Standard Ireland uses the Solvency II standard formula to calculate its SCR and does not use an internal model in this calculation.

Management information

Tools, models and systems have been developed in order to provide qualitative and quantitative management information for use in risk management decisions. In particular, Standard Club makes use of its own capital model, which it refers to as its internal model, in order to sense-check the standard formula, quantify the levels of aggregate risk carried at both group and Standard Ireland level and monitor whether levels of risk are within strategic risk appetite. Detailed measures of Standard Ireland's risk appetite have been established, with key risk indicators reported at each board meeting against pre-set risk limits and risk tolerances, for example with respect to key financial ratios, maximum exposure to individual investment asset classes, maximum exposures to third party counterparties and liquidity requirements.

Policies and procedures

Policies and procedures are in place in respect of the material risks of Standard Ireland and Standard Club which, amongst other matters, set out the roles and responsibilities with respect to the management of risk. Specific processes and procedures are in place to manage risks arising from the business. These are designed to ensure that transactions and decisions are made by individuals with appropriate levels of experience and authority, with consideration of relevant risks.

2. Implementation and integration of Standard Ireland's risk management function

Strategy and appetite

The risk management function provides significant input into the design and implementation of risk appetite of Standard Ireland which is framed by the strategy of Standard Club, for example with respect to the key underwriting and investment risks.

The risk management department co-ordinates the monitoring of whether Standard Ireland is likely to, or has, exceeded risk appetite and assists in making decisions in those eventualities. The assessment is reviewed by the managers' risk committee on a quarterly basis.

Risk assessment and control effectiveness reviews

The risk management department has implemented a rolling programme of reviews to assess business risks and the effectiveness of mitigating controls in place. This programme is designed to cover all areas of risk identified in the risk register at least once a year. These reviews, which are performed in conjunction with each business unit, consider whether controls are designed and operating effectively and ensure that outstanding risk mitigation actions are occurring in a timely manner.

Incident reporting and embedding risk management

There is an emphasis upon continual education of senior management and staff in considering good risk management practice in individual aspects of their roles. The risk management department maintains an incident reporting process which records control failures and "near miss" events and is designed to identify underlying root causes and whether any control improvements can be implemented. Incidents are reported across the senior executive management team and to the board.

Use of internal model

The risk management system and processes are linked to Standard Club's internal model. This capital model has been developed and is used internally in the business to create the financial projections which form the business plan. This model is not an internal model that regulators have approved for use in determining regulatory capital requirements. Standard Club has elected to operate under the standard formula capital requirements in each jurisdiction, using its own internal model for planning, certain operational decisions such as reinsurance purchasing, and determining its own solvency assessments. Key assumptions used in the internal model reflect expectations of future insured exposure and premium rate changes, claims frequency and severity trends and investment returns. Assumptions with respect to the degree of uncertainty and volatility arising from risk taking activities are based on a combination of analysis performed by the actuarial function and inputs provided by business units. Internal model assumptions are reviewed by relevant business experts and the Risk Committee. Internal model outputs are a key input into the ORSA process described below, and its uses include assessing levels of risk compared with risk appetite, assessing the adequacy of reinsurance arrangements, and informing pricing and capital management decisions.

3. ORSA process

Key elements of Own Risk and Solvency Assessment (ORSA) process

The ORSA process brings together the key elements of risk, capital and strategy. The ORSA process is performed at both a Standard Club and Standard Ireland level. The Standard Ireland ORSA report is approved by the board on (at least) an annual basis. At a group level the Standard Club ORSA report meets the Bermuda regulatory requirement to prepare a Commercial Insurers Solvency Self-Assessment (CISSA) report. Given the financial interconnectedness of Standard Club and Standard Ireland by mutual membership and the 90% quota share reinsurance arrangement, the Standard Ireland ORSA report should be read in conjunction with the Standard Club ORSA report which is referenced throughout the Standard Ireland ORSA report.

The ORSA process combines outputs from business strategy and planning processes with the results of risk profile monitoring, stress and scenario testing and outputs from the internal model on aggregate levels of risk. The ORSA report consolidates the results of these analyses in a single document in order to provide a coherent view of capital adequacy, risk profile, the effectiveness of the risk management system and key risk mitigating actions required to ensure the business remains within risk appetite.

In addition, each board meeting receives a summarised "Risk Overview" report which sets out the status of key risks to achieving strategic objectives together with actions designed to mitigate these. The core strategic objective that most directly relates to Standard Ireland's overall solvency needs is "to provide first class financial security". The current qualitative and quantitative risks to achieving this objective, any mitigating actions and the outlook over the next 12 months are assessed and incorporated into the ORSA process.

The "Risk Overview" also includes an assessment of capital adequacy and an analysis of key risks for the current financial year.

Financial information and business plan

The prior year financial results provide the basis for the first stage of the ORSA and strategic planning processes. The internal model is used to create a business plan over a three-year time horizon including projected levels of free reserves and the potential distribution of outcomes around the central projection. These results are used to review the business plan against risk appetite and amend plans if required.

Stress and scenario testing and emerging risk review

The ORSA process includes a pre-defined set of stress and scenario tests. There is a structured annual process to review potential emerging risks designed to identify whether any changing or new risk could have a significant impact on the business risk profile, and whether any consequent actions are required (for example, a new risk mitigating action or set of controls). The significance of new or emerging risks is typically assessed through development of appropriate stress tests.

Climate change represents one of the greatest long-term risks for society and industry, including the insurance industry. The club continues to take a strategic and long-term approach to managing the insurance risks of its members associated with climate change which are considered as part of the governance and risk management framework. Risks from climate change have been included in the club's risk appetite across key risk areas. The club uses scenario analysis to inform the risk identification process to further understand the short- and long-term financial risks in our business model. The emerging risk framework monitors physical, transitional and litigation risks from climate change and a cross-divisional working group inputs into the risk management framework. The club continues to look at ways that it can further develop its framework in relation to climate change and has identified the need for industry wide common metrics to facilitate meaningful targets and a deeper understanding of the challenges facing our members.

Assessment of capital adequacy and comparison with standard formula capital requirements

Standard Ireland is required to hold capital calculated using the Solvency II standard formula methodology. The ORSA report includes analysis of the level of capital required under the standard formula calculation compared with the equivalent level of capital calculated using the internal model. The broad underlying structure of the standard formula is consistent with the internal model developed in-house based on the evaluation of the business risk profile. As a consequence, changes in the risk profile of the business are expected to cause directionally similar changes in both the regulatory capital requirement and the equivalent internal model requirement used in its capital self-assessment. While there are differences in approach and calibration, such as in the treatment of default risk on the 90% quota share arrangement in place with Standard Re, these are not sufficiently material to suggest the standard formula is inappropriate to use for regulatory capital requirement purposes.

ORSA report governance

The Head of Risk is responsible for the preparation of the ORSA report for Standard Ireland, including ensuring that it articulates a coherent overall strategic plan that fits with the agreed risk appetite. The Chief Risk Officer of Standard Club is responsible for the preparation of the Standard Club ORSA report. The board reviews and approves the ORSA report for Standard Ireland and the Risk Committee gets sight of the discussions on the group ORSA through cross-directorships between the Risk Committee and the group Audit and Risk Committee. Furthermore, the two independent non-executive directors of the Board and Risk Committee of Standard Ireland have a standing invite as guests of the group Audit and Risk Committee and can participate in any discussions on the group ORSA. A key expectation is that the ORSA report and strategic and business plans are aligned and fit within strategic risk appetite.

ORSA process timing

The ORSA process is continuous, with various elements conducted through the year and integrated into the final ORSA report. For example, internal model outputs are used to inform decisions on potential changes in premium rates for renewals in the following policy year. A draft assessment of capital levels based on internal model outputs incorporating the results of February renewals is provided at the following board meeting.

The ORSA process is closely aligned with the Standard Club business planning and strategy setting process. The Risk Committee and the board review the elements of the ORSA process as they develop through the year and actively participate in the ORSA report and its contents. The Risk Committee recommends the final ORSA report for approval by the board toward the end of the calendar year. The finalised ORSA is used to ensure that regulatory reporting requirements for the ORSA are completed and submitted to the Central Bank of Ireland.

Circumstances that could trigger a need for an ORSA review outside the normal timetable, including significant investment, insurance or operational losses, are set out in the ORSA policy.

B.4 INTERNAL CONTROL SYSTEM

Standard Ireland has a robust system of internal controls used to manage the risks faced within its documented risk appetite. This system covers all functions and all activities undertaken by the managers on behalf of Standard Club and Standard Ireland.

Business functions (such as underwriting, loss prevention or claims) own the functional controls for their areas of responsibility. These controls are set out in the risk register and described in procedure manuals, often accompanied by process flow diagrams. Formal procedures are in place covering a wide range of business activities, for example, pricing of new business, performance of member risk reviews by the loss prevention department, issuance of certificates of insurance, approval and payment of claims, and sanctions, anti-money laundering, anti-bribery and corruption due diligence on counterparties prior to transacting business.

The Compliance function, supported by Risk and Finance, covers four principal areas:

- Prudential (ensuring solvency and rating agency capital is maintained; regulatory capital is reported and pertinent waivers are maintained);
- Organisational (training and competence; fit and proper of key roles; general governance, including conflicts of interest and data protection issues);
- Transactional (regulatory reporting; conforming with licensing requirements; maintaining complaints register; guarding against financial crime and screening against sanctioned entities, regions and cargo).
- Advisory (providing and issuing advice to the business on a range of regulatory issues)

The effectiveness of controls is assessed at least annually by the risk owners identified in the risk register in conjunction with the risk department, and subject to periodic internal audit testing and review. Material controls are reviewed by internal audit on a three yearly rotating basis and those with a strong regulatory element are also subject to monitoring reviews by the compliance department. Any failure of a material control is recorded as an incident and reported through the executive management structure and to the board.

B.5 INTERNAL AUDIT FUNCTION

1. Implementation of the internal audit function

Audit planning

Internal audit ("IA") prepares, in consultation with risk management, compliance senior management and other key users, an annual audit plan ("the plan"), setting out the proposed timing and rationale for IA assignments. The plan is based on a risk assessment identifying business objectives, all significant activities and key risks to the achievement of those objectives. The plan is reviewed and approved by the Audit Committee ("AC") of Standard Ireland and communicated to the board, and the AC ensures that the plan addresses all key business risks.

Any significant changes to the plan are discussed with the chairman of the AC and are communicated to the AC for approval.

a) Audit execution

IA is responsible for planning, conducting, reporting and follow up on audit assignments included in the plan. Audit fieldwork is conducted in a professional and timely manner.

b) Reporting

IA is responsible for reporting to management, and ultimately the AC, issues relating to the processes and activities identified in an audit assignment, including potential improvements to those processes.

A draft audit report is prepared at the conclusion of each audit and facts are agreed with relevant management. Management responses to findings and action plans are agreed, including deadlines and identification of those responsible for implementation.

IA sends a summary of each completed audit to the AC.

IA is responsible for verifying that audit issues have been completed, and the head of IA is responsible for monitoring the timely action of management to address these findings. Progress is reported to the AC.

At each meeting, IA provides to the AC information on the status and results of the annual audit plan. IA also provides regular reports on IA's compliance with its key performance requirements. Periodically IA will report on feedback obtained from key business users on its performance and effectiveness.

c) Interaction with other control and assurance activities

IA liaises with compliance and risk as appropriate to ensure optimal audit coverage to Standard Ireland, and avoid unnecessary duplication of effort.

IA maintains regular contact with all parts of the business at a senior level to ensure continued understanding of the business, cooperation between the business areas and IA and awareness of plans and strategy that may affect the audit universe and audit activity.

Internal and external audit activities are coordinated as far as practicable to ensure adequate audit coverage and to minimise duplication of effort. This includes liaison with external auditors on a periodic basis to achieve these objectives.

Access to IA programmes, working papers and reports are made available for review by the external auditors.

d) Resources

The head of IA maintains sufficient appropriately skilled audit personnel to implement the audit programme, either internally within the audit team or externally through the use of specialist resources.

e) Authority and access

IA's responsibilities (so far as Standard Ireland is concerned) are defined by the AC, a subcommittee of the board of directors.

IA is granted full, free, and unrestricted access to any and all records, information, physical properties and personnel relevant to any function or area within the Standard Club group and CT (including where such information is held by third parties). IA ensures confidentiality is maintained in respect of all information and records obtained in the course of performing its duties.

2. Independence and objectivity of the internal audit function

Objectivity and independence

IA is independent of the activities that it audits, and its staff are objective in performing their work. IA, while consultative in approach, is free from interference in determining the scope of internal auditing, performing work and communicating results. In summary, IA is impartial, unbiased and avoids conflicts of interest.

To ensure independence, IA is directly accountable to the chairman of the AC and has free and unrestricted access to the chairman of Standard Ireland board. The IA function is an outsourced function and operationally managed by Charles Taylor. The AC reviews the scope and nature of the work performed by IA to confirm its independence and objectivity.

B.6 ACTUARIAL FUNCTION

The Head of Actuarial Function has responsibility for the actuarial function, which, in line with its terms of reference:

a) contributes to the effective implementation and embedding of the risk management system, in particular by designing, implementing, updating, testing, running and reporting on the internal model;
b) calculates and validates the technical provisions;
c) assists with the underwriting process by devising and maintaining pricing tools;
d) expresses an opinion on the overall underwriting policy;
e) uses the internal model to compare proposed reinsurance arrangements;
f) expresses an opinion on the adequacy of current reinsurance arrangements;
g) reports to the senior management and the board on the reliability and adequacy of actuarial calculations; and
h) liaises with the external auditors to assist with their annual independent assessment of the technical provisions; and
i) provides an opinion to regulators on the adequacy of the respective group regulated entities technical provisions.

The actuarial team comprises three qualified actuaries, two trainee actuaries, and a data scientist. The team sits within and works closely with the finance team, which aids access to, communication of and understanding of the data and outputs used by and produced by the actuarial team.

The Head of Actuarial Function reports to the board or its committees four times a year on subjects that as a minimum include the actuarial function reporting cycle, which comprises the setting of GAAP technical provisions, the conversion of GAAP technical provisions to a Solvency II basis, an opinion on the underwriting policy, an opinion on the reinsurance arrangements, and a description of how the actuarial function has contributed to the risk management system during the year (including use of Standard Ireland's internal model).

B.7 OUTSOURCING

Outsourced management of the business

The day-to-day management of Standard Club group was previously outsourced to a club manager, Charles Taylor. On 29 May 2020 Standard Club and Charles Taylor announced that the management of the Club would be taken in-house, this project concluded in August 2021. As a result, Standard Ireland is managed by a group management company, Standard Club Management (Europe) Limited, and other related group management companies (“managers”).

The club manages its intragroup services via its management agreement and associated intragroup services agreements of the management companies, which reflect the division of support provided by the management companies to the relevant Standard Club entities, including Standard Ireland. The performance of outsourced managers is formally reviewed at least annually against service level agreements detailed within the management agreement which governs the outsourced relationship. The board also exercises oversight of the performance of the managers through the regular reporting provided by the various function heads at each meeting of the board and its committees, through reports provided by the key functions (finance, underwriting, claims, actuarial, risk, compliance, and internal audit) and through regular discussion between board members and executives.

Charles Taylor continues to provide material outsourced services to Standard Club through Charles Taylor Insurance Services Limited who procures performance of agreed activities from other Charles Taylor entities. These activities include:

- Technology services;
- Premises / facilities management services;
- Internal Audit;
- Regulatory / Finance Support (Bermuda)

Investment Management services are provided to Standard Club and Standard Ireland through Charles Taylor Investment Management.

Standard Club maintains an outsourcing register containing key information on materiality, ownership, governance, value, legal entity alignment, contractual parameters, term, due diligence, vendor risk and contract management.

Outsourcing policy

An outsourcing policy is in place which considers the approach to be taken if the managers further outsource activities that would otherwise be performed directly by them.

The outsourcing policy sets out requirements with respect to outsourcing arrangements including:

- No activity or function reserved for the board may be outsourced. In addition, if the function or activity is considered critical or important (for example, insurance product design and pricing, performance of key functions such as actuarial), the board must authorise any further outsourcing arrangement proposed by the managers.
- Notification of material outsourcing arrangements to regulators where required.
- Criteria which must be considered in selecting a new outsourced provider or renewing an existing contract, including the ability of the provider to provide services in a manner that will not breach risk appetite and will meet business continuity standards and regulatory requirements.
- Prescribed elements to be included in written contractual arrangements.
- Contingency plans in the event the service provider is unable to deliver an adequate level of service or seeks to terminate the outsourced arrangement.

B.8 ANY OTHER INFORMATION

Adequacy of the system of governance

Standard Ireland has assessed its corporate governance system, with guidance from external expert advisers and has concluded that it provides for the sound and prudent management of the business, which is proportionate to the nature, scale, and complexity of the operations of Standard Ireland.

In light of the transition to an in-house management structure from August 2021, the board and managers reviewed and assessed the governance structures of the club. A working group comprising the chairmen of the club and each subsidiary was created to oversee the review. The review concluded that the club's governance structure remains fit for purpose, with appropriate forums to provide clarity of decision making, roles and responsibilities and an appropriate oversight of management and operations.

At the request of the Central Bank of Ireland, a third-party governance review of Standard Ireland's board and board sub-committee operational effectiveness was carried out. Standard Ireland commissioned PwC to carry out the review. PwC's work included review of board and sub-committee materials and interviews with a number of directors and managers. The results were presented to the board at its meeting in January 2022 and subsequently submitted to the Central Bank of Ireland. Overall, the review did not identify any material issues, and noted many good practices being used by Standard Ireland. The report contained minor observations and recommendations in order to assist the board and sub-committees discharge their duties appropriately. The recommendations are in the process of being implemented

C. RISK PROFILE

C.1 UNDERWRITING RISK

1. Material underwriting risks

The underwriting risk of Standard Ireland arises from two main categories of insurance product which it provides to its members:

i) *"Poolable"* P&I - protection and indemnity insurance, covering members against third party liabilities arising from their shipping activities, which qualifies for inclusion within the International Group ("IG") pooling agreement. The IG is made up of 13 principal mutual P&I clubs which are owned and controlled by shipowners representing approximately 90% of the world's ocean-going ship tonnage. Each club (including Standard Ireland) pools losses in excess of a $10m per claim retention, with losses in excess of this amount being shared between all clubs using a formula based on the historical loss record of each club and the tonnage and type of ships entered into the pool. The IG has entered into a number of collective reinsurance arrangements with the commercial reinsurance market, which takes a progressively greater share of individual losses as claim size increases. Losses in excess $2.1 billion (termed "overspill claims") are re-pooled, however the IG reinsurance arrangement provides an additional $1 billion reinsurance for a single claim. All of these reinsurance protections inure to the benefit of the members of all Standard Club group underwriting entities including Standard Ireland. In practice no claim has yet arisen which breaches the limits of the IG reinsurance programme, with the largest individual poolable claim to date being $1.5 billion of third-party liability costs arising from the wreck of the Costa Concordia. Poolable P&I cover is a variable premium product, meaning that Standard Ireland may make supplementary calls on members if required to meet unanticipated financial losses. All clubs which are members of the IG must be mutual associations capable of levying additional premiums on their members in the event that an overspill claim occurs. In practice, as set out in Standard Ireland's risk appetite statement, the business seeks to minimise the possibility that such unbudgeted supplementary calls could occur. As a consequence of the pooling arrangement, Standard Ireland is subject to underwriting risk arising from both its own policyholders and through its share of other P&I club's poolable claims ("inwards pool" claims).

ii) *"Non-pool" business* –protection and indemnity insurance where the nature of the underlying activity does not qualify for inclusion in the IG pooling arrangement (primarily relating to offshore energy activities), liability cover for ship charterers, or ancillary covers such as war risks, marine delay insurance and legal expense costs relating to shipping disputes.

In addition to the benefit provided by the IG pooling agreement, Standard Ireland benefits from:

- Specific per claim reinsurance for non-poolable risks provided by commercial reinsurers.
- A comprehensive 90% quota share of underwriting gains and losses including operating expenses provided by Standard Re, the captive reinsurer of the Standard Club group.

Categorisation of types of underwriting risk

At a high level, underwriting risk is categorised between premium risk, being the risk that premiums will not be sufficient to meet all claims covered and associated expenses, and reserve risk, being the risk that case or actuarial reserves will be inadequate in covering known or unreported losses. These risks are further considered in terms of:

- Inappropriate insurance strategy, including reinsurance strategy;
- Ineffective implementation of underwriting strategy;
- Ineffective implementation of reinsurance strategy;
- Ineffective claims management, leading to inappropriate case reserve and settlements;
- Inadequate actuarial reserving.

2. Material risk concentrations and changes in risk profile over the reporting period

Underwriting risk has increased since February 2021 from $9.3m to $10.9m in the standard formula, driven in part by an increase in reserve risk, and in part through an increase in premium and lapse risk.

With Standard Ireland commencing underwriting in February 2019, the level of outstanding claims (and reserve risk thereon) is expected to grow rapidly for the first four years of operation. Thereafter the level of outstanding claims (and reserve risk) should stabilise as the levels of payment of old claims should offset new claims being notified.

Premium risk is a function of premium income (both projected future year and actual prior year), and with rate rises at the February 2022 renewal, and growth in business written, this has caused an increase in premium risk. In addition lapse risk (the risk that business will leave, removing the expected profits from that business) has increased as rate increases is making business (excluding fixed costs) more profitable.

More than 90% of net underwriting risk arises from poolable P&I cover, driven largely by Standard Ireland's exposure to its own and other clubs' pool claims. Other types of underwriting risk concentration, including ship type and membership, represent less significant sources of concentration risk. P&I cover provides liability cover for ships which are trading on a global basis, therefore is not significantly exposed to geographical risk concentrations, for example, compared with insurance of static property or similar asset-based covers. As a consequence, the primary drivers of underwriting risk relate to:

- The number and severity of large poolable P&I claims including inward pool claims.
- The potential for significant adverse reserve development arising from existing claims or new types of previously unreported liability.

3. Risk mitigation techniques

A number of risk mitigation techniques are used to manage underwriting risk, including:

Premium risk

- Board and senior management review of underwriting results, strategy and business plans;
- Reinsurance strategy is reviewed and approved by the board in line with risk appetite;
- Comprehensive and high-quality reinsurance programme;
- Underwriting and reinsurance authorities, approvals, processes, reporting and review;
- Use of exposure-based pricing tools for new business;
- Activities of the loss prevention department, including ship surveys, member risk reviews, and application of coverage warranties, exclusions or non-renewal of members where ship operating standards are considered deficient;
- Monitoring for undue concentrations of risk and acceptability of results consistent with risk appetite.

Reserve risk

- Claims case management: authorities, approvals, processes, reporting and review;
- Systems workflow in place to assist management of claims cases;
- Claims peer review, feedback and management information;
- Actuarial reserving: modelling processes, reporting and review;
- Board: review and approval of key reserving output.

The comprehensive 90% quota share reinsurance of Standard Ireland's net operating result with Standard Re substantially mitigates the economic impact of both premium and reserve risk.

4. Stress and scenario testing

The key stress tests identified with respect to underwriting risk was:

- Premium risk – a significantly higher than historical average number of large claims occurring in the current policy year.
- Reserve risk – reserve deterioration across all years of account due to a systemic reserving issue.

The following underwriting scenario tests were also performed in 2021, taking into account emerging risks such as climate change and cyber risk:

- Overspill claim relating to a collision of an oil tanker with a wharf and an adjacent shopping complex in the lower Mississippi River.
- Industry bankruptcies and consolidation.
- Tsunami at a busy Asian port.
- COVID-19 pessimistic scenario.
- Suez Canal closure pessimistic scenario.
- Cyber-attack on a vessel in the Malacca Straits.
- Heavy weather container collapse.
- Climate change decarbonisation scenario.
- Climate change Arctic oil spill.

By their nature, some of these scenarios are extreme in nature and would trigger the club's recovery plan at group level. Standard Ireland is assessed as being within its risk appetite in relation to the above scenarios which fall within a 1 in 200-year return period.

5. Sensitivity analysis

Standard Ireland is protected from underwriting volatility through its comprehensive external and internal reinsurance programs (specifically the 90% quota share with Standard Re). For example, a 5% increase in gross loss ratio would reduce the underwriting result (net of reinsurance) by $0.6m, equivalent to 1.6% of the net assets.

C.2 MARKET RISK

1. Material market risks

Market risk relates to the risk of losses on assets held to pay future claims and operating expenses, and losses on surplus assets held for solvency purposes.

Standard Club's investment strategy has been developed with the following objectives:
- To preserve capital for the payment of the club's claims and other liabilities by limiting risk in the portfolio
- Within the risk tolerance, to maximise the overall returns as measured over rolling three-year periods.

Prudent person principle – management of assets
Standard Club can invest in a range of assets and instruments whose risks it can sufficiently identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency. All assets are invested to ensure the security, quality, liquidity and profitability of the portfolio as a whole. Sufficient assets are localised to ensure their availability. Assets are invested in the best interest of all members under the direction of the investment director.

Standard Ireland holds a very conservative investment portfolio, comprising only US treasuries (although a more diversified portfolio is allowed within the investment portfolio rules). The majority of Standard Club's higher yield and more volatile assets are held within Standard Re, which also holds the majority of surplus assets held across the group.

Categorisation of types of market risk
Market risk is considered in terms of three categories:
- Inappropriate investment strategy;
- Ineffective implementation of investment policy, strategy or investment rules;
- Ineffective management of investment counterparties.

2. Material risk concentrations and changes in risk profile over the reporting period

Although there is a material concentration of Standard Ireland's investments in US treasuries, these instruments are of the highest credit quality, can be traded on the most liquid market, and are spread across different durations. At the year end the average duration had been reduced to 2.9 years to reduce the risk of an increase in interest rates impacting the value of the investment portfolio.

The currency risk arises from currency liability matching which is largely mitigated by the transfer of such currency risk to the 90% quota share reinsurance with Standard Re. There is a small proportion of technical provisions held in Euros whilst the majority of assets are held in US Dollars, creating a slight mismatch which is amplified at the 1 in 200 level.

There has been little change in the underlying components of market risk over the year. Interest risk has moved from \$0.7m at 20 February 2021 to \$0.9m at 20 February 2022, while currency risk has reduced from \$1.2m to \$1.0m. Overall market risk has remained unchanged at \$1.5m in February 2022. The percentage of undiversified basic SCR attributable to market risk has decreased from 8% to 6% over the reporting period.

3. Risk mitigation techniques

A number of risk mitigation techniques are used to manage market risk, including:

- The board reviews and approves investment strategy;
- Clear investment guidelines and rules are implemented and monitored, including counterparty limits;
- Investment guidelines require investing widely and in different asset classes to diversify the portfolio;
- Asset–liability matching processes are in place;
- Foreign-exchange matching processes are in place;
- Interest rate risk exposure is measured and controlled through regular review of the appropriate duration;
- Levels of investment risk are monitored using "Value at Risk" techniques which must remain within risk appetite.

4. Stress and scenario testing

Investment loss stress tests and scenarios, including consideration of historical scenarios and an inflation shock scenario, are regularly monitored at Standard Club level. Due to the concentration of Standard Ireland investments in US treasuries, the only significant risk is an increase in interest rates. An increase of 150 basis points in bond yields would result in a deficit of \$1.6m (although would be partly offset by an increase in the discount rate reducing the discounted value of liabilities).

As a result, Standard Ireland is assessed as being within its risk appetite.

5. Sensitivity analysis

Standard Ireland maintains a conservative investment portfolio with 100% of investment assets held in fixed income assets.

Sensitivity analysis for interest rate risk illustrates how changes in the fair value of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. An increase of 150 basis points in bond yields would cost Standard Ireland \$1.6m (2021: \$2.0m).

Standard Ireland is exposed to currency risk in respect of liabilities under insurance policies denominated in currencies other than US dollars. The most significant currencies to which Standard Ireland is exposed are sterling and the euro. Standard Ireland seeks to manage this risk by constraining the deviation of the currencies of the assets from the estimated currencies of the liabilities.

At 20 February 2022, had the euro strengthened by 10% against the US dollar with all other variables held constant, the cost to Standard Ireland would have been \$0.5m (2021: \$0.3m).

C.3 CREDIT RISK

1. Material credit risks

Credit risk relates to the risk that another party fails to perform its financial obligations, or perform them in a timely manner. Counterparty risk arises in relation to members, guarantors, other clubs, reinsurers, investments and deposits. Under the risk management system, investment counterparty risk is considered within the market risk category and intra-group reinsurance counterparty risk is considered within the group risk category. Therefore, the most significant credit risks arise from external reinsurers, banking counterparties used to hold cash and the premium balances due from members of Standard Ireland.

A diverse range of high-quality external reinsurers are used on the reinsurance programme protecting Standard Ireland's portfolio.

Significant amounts of money are held with the custodian bank as money flows in respect of premiums, claims and management fees. The flow is carefully monitored and managed so as not to exceed tolerance levels. There are a number of credit controls over members, allowing for Standard Ireland to offset potential losses. Standard Ireland continues to monitor closely the credit worthiness of members and collect premiums in good time.

2. Material risk concentrations

External reinsurance is placed with a range of highly rated reinsurers, with the highest single concentration being due from underwriters at Lloyd's. The potential overall concentration levels are considered when placing reinsurance.

The internal group quota share reinsurance with Standard Re comprises the largest single counterparty and is considered under C.6 other material risks.

Standard Ireland has a small number of key banking relationships for handling cash receipts and payments, which may result in material amounts of cash accumulating for short periods of time, for example when member premium payments are received on key due dates.

Standard Ireland seeks to maintain a diversified member base, reducing the credit concentration risk to any one member. Given the significant risk mitigation in place, member credit risk is considered to be relatively low.

3. Risk mitigation techniques

A number of risk mitigation techniques are used to manage reinsurer and IG pool reinsurance credit risk, including:

- Reinsurance is placed with many different reinsurers, reducing the potential impact of individual reinsurer default;
- The reinsurance programme is reviewed and approved by the board on an annual basis;
- All reinsurers are required to hold a credit rating of A- (Standard & Poor's or equivalent) or better;
- The board receives regular reports on the amounts recoverable from reinsurers;
- The board receives regular reports on the top 10 potential exposures by reinsurer;
- There is a clear risk appetite and thresholds set around the concentration of exposure with any single reinsurance counterparty;
- Should a reinsurer default on its obligations the loss to Standard Ireland would be mitigated by the comprehensive 90% quota share provided by Standard Re, which includes losses arising from reinsurer default within its coverage;
- The IG pooling agreement includes mechanisms to protect member clubs in the event of the default of one of its members, including securitisation of pool recoverables through "Hydra", the IG captive insurer, and minimum solvency and rating requirements for P&I clubs to be included within the pooling agreement;
- The IG provides guidance to the brokers on the GXL programme around counterparty and concentration risk, including having no reinsurer with a rating lower than S&P A-, a threshold of 15% participation for any one reinsurer of the overall programme and minimum requirements around reinsurer shareholders' funds.

Risk mitigation techniques used with respect to Standard Ireland's banking relationships include:

- Maximum counterparty limits with any single banking entity, which may not exceed $50m and may not exceed $30m for more than 5 working days;
- Frequent monitoring of bank credit rating.

Risk mitigation techniques used with respect to Standard Ireland's exposure to outstanding member premium balances include:

- Under the terms of coverage, member claims may be offset against outstanding premiums: this tends to be particularly effective for long tail liability insurance such as P&I.
- Overdue premium amounts are monitored and reported to the managers executive committee on a monthly basis.
- Member cover can be cancelled for non-payment of premium.
- Guarantor security is monitored by the managers' finance committee.

4. Stress and scenario testing

A regular stress test is performed which considers the impact of the failure of a major reinsurer. Standard Ireland is assessed as being within its risk appetite in relation to this scenario.

5. Sensitivity analysis

Standard Ireland's principal non-group counterparty risk is the exposure to its external reinsurers. At 20 February 2022, the provision for reinsurance recoveries on a GAAP basis is $167.0m, of which $32.8m was from external reinsurers, and $134.2m was from Standard Re.

A 10% default on its external reinsurance recoveries would have a gross impact of $3.3m on Standard Ireland, however as any such default would be 90% reinsured by Standard Re (and any default on the International Group's excess of loss reinsurance would be pooled amongst the International Group clubs), the net impact would be $330k.

The board reviews the solvency position of the Standard Club group and Standard Re at each board meeting and through its ORSA and has determined that the risk of default of Standard Re is extremely remote (more remote than a 1 in 200-year event).

C.4 LIQUIDITY RISK

1. Material liquidity risk

Liquidity risk is the risk of failure to maintain sufficient funds to meet obligations as they fall due, for example due to the lack of marketability of investments, inability to make reinsurance recoveries in a timely manner, and incorporating the risk that additional funding may only be secured at excessive cost.

Given the high level of liquid investments held at Standard Ireland and mechanisms in place to enable quick access to reinsurance recoveries, the risk is considered to be very low.

2. Material risk concentrations and changes in risk profile over the reporting period

Investment assets are administered by a single asset custodian. While investments are required to be held in segregated accounts, there is a risk that in the event of the failure of the custodian there may be delays in accessing funds in a timely manner.

3. Risk mitigation techniques

A number of risk mitigation techniques are used to manage liquidity risk including:

- Asset-liability management controls are in place, which assist in Standard Ireland's ability to manage liquidity;
- The investment rules require a significant proportion of the portfolio to be held in easily realisable assets such as highly liquid sovereign debt;

- Standard Ireland regularly reviews the time period required to liquidate the investment portfolio;
- Principal reinsurance arrangements allow for short period recovery of all significant claims payments due;
- A monitoring process is in place to identify short term potential cash needs in the business;
- The likely cash outflows in relation to specific large claims are projected and kept under review.

4. Stress and scenario testing

A liquidity issue arising from the failure of the asset custodian holding Standard Ireland's assets in trust, causing significant delays in receipt of funds owed, is considered to be very remote and, given Standard Ireland has other sources of capital, it is within risk appetite.

C.5 OPERATIONAL RISK

1. Material operational risk

Operational risk is the risk of losses incurred as a result of inadequate or failed internal processes, people and systems, or from external events (including legal risk).

Operational risk is considered in terms of the following categories:

- Ineffective management of legal and regulatory requirements,
- Ineffective governance,
- Ineffective management of internal relationships,
- Poor data management or application,
- Ineffective management of systems,
- Inadequate planning or reaction to external events,
- Ineffective IT hardware and software protection and security against cyber fraud and disruption.

2. Material risk concentrations and changes in risk profile over the reporting period

Standard Ireland has experienced an increase in direct and indirect cyber-attacks seeking to extract money through fraudulent means, with the ambition and sophistication of such attacks observed across the wider insurance industry increasing. The managers continue to invest in improving controls over this growing and changing threat. A cyber risk dashboard has been developed to monitor and assess on an ongoing basis the overall cyber risk status.

The development of the impact of Covid-19 has been monitored closely since March 2020. Full business continuity contingency plans were activated and proved that the club can continue to operate in the event of a serious prolonged incident. Business records and documentation are stored electronically, are regularly backed-up and are accessible remotely from anywhere in the world. The impact of Covid-19 on operational risk has also been considered.

3. Risk mitigation techniques

A number of risk mitigation techniques are in place including:

- Board oversight of service level agreement ("SLA");
- Maintaining professionally-staffed management functions;
- Investment to support recruitment, retention and development of good quality resources;
- Monitoring systems issues, accounting for the need to achieve service objectives and protect data;
- Business continuity planning, including both physical business continuity planning and contingency plans in the event of failure of the outsourced managers;
- Requirement for the managers to maintain errors and omissions insurance;
- Regulatory compliance monitoring.
- A suite of detection, prevention and recovery controls to protect against malware have been implemented and combined with appropriate user awareness;

- A cyber risk dashboard reported on a quarterly basis to the managers risk committee, which shows a suite of metrics designed to give comfort that cyber related controls are designed and operating effectively. This includes technical IT security controls (e.g. vulnerability scanning, penetration testing results, access).

A system of incident reporting is in place to identify operational failings, report them and organise improvement actions to reduce the risk of reoccurrence.

4. Stress and scenario testing

A range of operational risk stress and scenario tests are performed in order to understand the potential impact of operational issues. The most significant scenarios identified include:

- Rogue chief financial officer.
- Cyber ransomware attack.
- Post-Brexit operational model.
- Climate change activist action.

Standard Ireland is assessed as being within its risk appetite in relation to the above scenarios.

C.6 OTHER MATERIAL RISKS

1. Group risk

Standard Ireland is subject to material group risk due to its interdependence with other parts of the Standard Club group. For example, Standard Ireland relies on the strength of the overall Standard Club balance sheet to support its credit rating, which represents a key marketing tool, and it reinsures 90% of its retained risk with Standard Re, the group captive reinsurer.

The risk for Standard Ireland is limited due to its policyholders being mutual members of Standard Club and to the operational integration of Standard Ireland into the Standard Club group whereby it operates under consistent policies and procedures across the group.

2. Material risk concentrations

The primary exposure of Standard Ireland arises from the 90% quota share reinsurance arrangement with Standard Re.

3. Risk mitigation techniques

A number of risk mitigation techniques are in place including:

- Common directorships across Standard Ireland and Standard Club;
- Cross-review of Standard Club issues in place at board and management level;
- Right to commute the quota share contract in place with Standard Re at any time, for any reason under the terms of the contract;
- Standard Re has undertaken to advise Standard Ireland and Standard UK of any material change in their investment rules;
- Standard Ireland monitors the performance and solvency of Standard Club and the implied security offered by Standard Re;
- Standard Ireland, Standard Asia, Standard UK and Standard Re are all subject to regular review by Standard & Poor's: they are all presently rated 'A' (strong) with stable outlook
- Standard Ireland monitors the forward-looking solvency of Standard Re and the Standard Club group as a whole as an integral part of its risk management framework;
- Standardised processes, procedures and risk control measures are in place across the group.

4. Stress and scenario testing

The Standard Club recovery plan, which was approved in January 2022, considers the impact of stress events on the solvency of the group and details the recovery options open to the club to ensure it remains financially resilient and in compliance with its regulatory capital requirements.

C.7 ANY OTHER INFORMATION

CLIMATE CHANGE

Climate change represents one of the greatest long-term risks for society and industry, including the insurance industry. The club continues to take a strategic and long-term approach to managing the insurance risks of its members associated with climate change which are considered as part of the governance and risk management framework. Risks from climate change have been included in the club's risk appetite across key risk areas. The club uses scenario analysis to inform the risk identification process to further understand the short- and long-term financial risks in our business model. The emerging risk framework monitors physical, transitional and litigation risks from climate change and a cross-divisional working group inputs into the risk management framework. The club continues to look at ways that it can further develop its framework in relation to climate change and has identified the need for industry wide common metrics to facilitate meaningful targets and a deeper understanding of the challenges facing our members.

The International Maritime Organization (IMO) reports that maritime transport is responsible for about 3% of global greenhouse gas (GHG) emissions and the IMO adopted an Initial Strategy in 2018 on the reduction of GHG emissions from shipping by at least 50% by 2050, compared to 2008 levels, with an interim goal of 40% emissions reduction by 2030. In June 2021, IMO adopted key short-term measures to be introduced in 2023 aimed at facilitating the identification of industry metrics such as the Energy Efficiency Existing Ship Index (EEXI) and for ships over 5,000 gross tonnes an annual operational carbon intensity indicator (CII) and CII rating. The maritime industry is embarking on a major technology transition driven by the need to decarbonise which will have a significant impact on costs, asset values, and earning capacity as it shifts from conventional to zero or carbon neutral fuels. Standard Club's Alternative Fuel Working Group was established internally to assist members with their transition to alternative fuels, and an Alternative Fuel Advisory Panel has been set up comprising of experts from across the industry to help the Group with wider concerns. A survey by this group is currently assessing the club's members preparedness for the transition and the results will be used to further develop the club's management of this important risk.

NORTH MERGER

On 14 March 2022, Standard Club announced it was in discussions with North P&I about combining jointly to create a club at the forefront of global marine insurance, acting as a powerful industry voice, upholding the values of the International Group system. A dedicated project team has been established to ensure all aspects of the discussion are managed effectively. Members votes are planned for 27 May 2022. If approved, the formal merger of both clubs is expected to complete by 20 February 2023.

COVID-19

As disclosed in further detail at section A.5, Standard Ireland continues to monitor and respond to the global COVID-19 pandemic.

PORTFOLIO TRANSFER

On 25 January 2022, following approvals from both the Central Bank of Ireland and the Commissariat Aux Assurances, there was a cross-border portfolio transfer into Standard Ireland of all the insurance obligations of Luxembourg-based The Shipowners' Mutual Strike Insurance Association Europe ("SIE").

SIE became part of the Standard Club group with effect from 1 February 2019, following approval by SIE's members in general meeting. SIE ceased underwriting on 20 February 2020 and from 21 February 2020, former SIE's EU-based members have been able to buy strike & delay and war risks insurances from the club. The portfolio transfer at 25 January 2022 was at fair value and included gross outstanding claims totalling

$386k ($17k net of reinsurance, including a 90% quota share reinsurance with Standard Re). At 20 February 2022, the values were $382k gross ($31k net of reinsurance).

UKRAINE/RUSSIA

As disclosed in further detail at section A.5, Standard Ireland continues to monitor and respond to the events in Ukraine.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 ASSETS

1. Valuation and difference between Irish GAAP and Solvency II

Standard Ireland held the following assets:

Assets as at 20 February 2022	2022 Irish GAAP value US$'000	2022 Solvency II value US$'000
Assets	C0020	C0010
Investments	37,468	37,554
Reinsurance recoverables	166,954	160,170
Insurance and intermediaries receivables	37,288	10,989
Receivables (trade, not insurance)	18,156	18,156
Cash and cash equivalents	1,890	1,890
Any other assets	7,688	2,297
Total assets	269,444	231,056

Standard Ireland's valuation and recognition of assets under Solvency II is based on the statutory financial statements prepared under Irish GAAP. Some assets are reclassified and valued differently under Solvency II and are described below.

- Investments - valued at market price at period end provided by the investment custodian, Northern Trust. Bloomberg is used to ascertain that investments are traded in active markets, with no over the counter assets requiring modelling. Some deposits disclosed as cash under Irish GAAP have been reclassified to investments under Solvency II determined by the deposits' Complementary Identification Code ("CIC"). Accrued interest has been reallocated to investments from any other assets as required under Solvency II.

- Reinsurance recoverables - reinsurers' share of technical provision is valued on a cash flow basis under Solvency II. This balance includes provisions for reinsurance premiums payable on bound but unincepted business, as well expected reinsurance recoveries on that business. See section D.2 Technical Provision.

- Insurance and intermediaries' receivables - premium receivable from members, recognised as insurance receivables under Irish GAAP, forms part of the best estimate technical provisions under Solvency II. See section D.2 Technical Provisions.

- Receivables (trade, not insurance) – the additional amount under Solvency II relates to non-insurance intercompany receivable balances with Standard Re. In the Irish GAAP balance sheet, this non-insurance balance is combined with the quota share balance with Standard Re and is disclosed as an aggregate intercompany payable under Liabilities.

- Any other assets – accrued premium income is reclassified to technical provision under Solvency II. See section D.2 Technical Provision.

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

D.2 TECHNICAL PROVISIONS

1. Valuation

The methodology for estimating the reserves required at year-end for claims yet to emerge and be paid is:

- Risks are combined into broad groupings that can be expected to develop in a similar fashion to each other but in a different way to other risks;

- The four groupings used for this purpose are Own P&I (including owned/mutual, non-pool and chartered), Inwards Pool, Defence and London (which insures inland and coastal craft);

- Development patterns are derived from historical data and applied to the current reported and paid claims. Other loss estimates are calculated using historical data regarding frequency and severity of claims, combined with exposure information. Weighted averages of these estimates are calculated using the Bornhuetter–Ferguson method. Finally, estimates are selected from the preceding methods and adjusted for claims outcomes not reflected in the calculated estimates.

Information on booked and expected premiums is used to determine the allowance for future premiums. Historical information on expenses is used to determine the charge for expenses in the claims and premiums provisions.

2. Valuations in Solvency II and the Irish GAAP Financial Statements

Irish GAAP	Marine, aviation and transport 2022 US$'000	Miscellaneous financial loss 2022 US$'000	Total 2022 US$'000	Total 2021 US$'000
Technical provisions - gross	177,708	4,455	182,163	142,169
Technical provisions - net	14,916	293	15,209	12,688

Solvency II	Total 2022 US$'000	Total 2021 US$'000
Best estimate - gross	142,245	95,606
Best estimate - net	(17,925)	(18,309)
Risk margin	4,352	3,921
Technical provisions - net	(13,572)	(14,388)

The calculation of the technical provisions starts with the GAAP reserves and proceeds in a number of stages. The Solvency II net best estimate is a negative number due to the reclassification of reinsurance receivables explained in further detail below:

- *Reclassification of insurance receivables - $(26.3m).* Premium debt that is due after the balance sheet date (being the third instalment of poolable premium that is due 9 months after the year-end) is included as a debtor balance in the GAAP balance sheet but forms part of the claims provision on the Solvency II balance sheet.

- *Reclassification of accrued premiums - $(5.3m).* Premium debt that is due before the balance sheet date but not yet received represent future cashflows that form part of the claims provision on the Solvency II balance sheet.

- *Any prudence in the GAAP reserves is removed to arrive at a 'best estimate' - $(0.3m)*. At the year-end, any potential case reserve redundancy not taken credit for in the GAAP reserves is removed.

- *An explicit additional allowance is made for events not in data (ENIDs): large events that have not happened in the past (so are not in the basic reserves) but might happen in the future - $0.3m.* An ENID loading of 2% is used for past claims, broadly calculated as one event in 15 years of a size that causes a 30% deterioration of reserves – approximately the size of the deterioration experienced by Standard Club due to asbestos claims in 1978-1980, when asbestos was first identified as a reserving issue.

- *An allowance is made for the expenses, both external and internal, of settling the claims - $0.3m.* A claims handling expense (CHE) allowance is already included in the GAAP reserves, however the methodology for calculating this allowance differs under Solvency II, because it allows for activities of administration, training, management etc. in addition to pure claims settlement activity.
- *An allowance is made for reinsurance bad debt - $0.1m.* The managers use the credit ratings of Standard Ireland's reinsurers and default rates published by S&P to estimate the cost of reinsurer defaults over the future lifetime of the claims.
- *Time value of money on claims provisions – $(0.3m).* Under Solvency II discounting is applied to all cashflows for all classes of business.
- *'Premiums provisions' are added, on the same basis, for premiums, claims and expenses in respect of future exposures that Standard Ireland has already agreed to underwrite - $(1.5m).* As that business is expected to return a small profit (the management costs of writing that business having already been incurred in the year to February 2022), the premium provision is a net asset. Discounting is applied using the risk-free curves provided by EIOPA.
- *Risk margin - $4.3m.* A risk margin is included to allow for the cost of funding the solvency capital required to support the business until all provisions are fully run off, as follows:

  The Solvency Capital Requirement (SCR) for premium risk is calculated as at the valuation date and is assumed to decrease in future years in proportion to the premiums still outstanding. The SCR charge for reserve risk is calculated as at the valuation date and is assumed to decrease in future years in proportion to the square root of the claims still outstanding. The SCR for counterparty default risk is calculated as at the valuation date and is assumed to decrease in future years in proportion to the claims still outstanding. The SCR for operational risk is assumed to be 3% of the reserves outstanding at all dates. The risk margin is calculated as the cost of funding the SCR over the remaining lifetime of the provision liabilities assuming a cost of capital of 6% per annum.

3. Reinsurance recoverable

The main elements of the reinsurance recoverable balance are in respect of (a) recoveries on pooled business from the International Group (IG) pooling arrangement, which includes recoveries from pool members and from external excess-of-loss reinsurers; (b) recoveries on non-pooled business from external excess-of-loss reinsurers; and (c) recoveries on the net retained business from a 90% quota share reinsurance arrangement with Standard Re.

4. Level of uncertainty

Uncertainty may give rise to a variance around the best estimates indicated within the technical provisions. Uncertainty arises from firstly, the potential of inaccuracy of the point estimate, and secondly the possibility of unexpected adverse experience. The ENID loading applied to both claims and premium provision aims to allow for some of these uncertainties. The likelihood & sizes of uncertainty are based on a combination of internal capital model output and expert judgement. Key areas of uncertainty around technical provisions are as follows:

- *Claims provision* – uncertainties include large claims developing adversely; additional size increase due for example to legislation changes or changes in jurisdictions where claims can be made; changes in development pattern not yet observed in experience; mix of claim sizes escapes reinsurance recovery to an extent greater than expected; and debtor default greater than foreseen.
- *Premium provision* – uncertainties include claims numbers or sizes higher than expected, due to for example emerging risks, change in mix of business, legislation changes; inflation impacting claims costs greater than expected; and large losses greater in number than expected.
- *Yield curve* - applying to all elements of the technical provisions is the risk-free yield curve, which may be subject to a shock change.
- *Risk margin* - uncertainty of the risk margin is driven largely by the SCR results, which in turn are driven by business volume, claims reserves, mix of reinsurers for credit default risk and mix of assets for market risk. As the calculation is based on 6% of future SCRs, any one change would not have large impact on the risk margin.

The most recent analysis of the historical variability of claims notification and settlement suggests there is a 1-in-5 chance of the reserves deteriorating by approximately 4% over a 12-month period. Conversely, there is also a 1-in-5 chance of the reserves improving by approximately 3% over the same period. Due to the comprehensive reinsurance arrangements in place for Standard Ireland, the net impact of a 4% deterioration in the current level of net outstanding claims ($15.2m) would be $0.6m

Standard Ireland aims to achieve break-even underwriting (with a target 5-year average combined ratio of 100%). Due to the 90% quota share reinsurance with Standard Re any variability around this target at a net level is mitigated. While a 110% gross combined ratio would give an underwriting loss of $15m, on a net basis this would be $1.5m, limiting the variability around the premium provision assumptions.

5. Adjustments not made

The matching and volatility adjustments referred to in Article 77b of Directive 2009/138/EC, the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC and the transitional deduction referred to in Article 308d of Directive 2009/138/EC are relevant for life insurance companies with long-term liabilities, so have not been applied.

There were no data deficiencies for which an adjustment was necessary.

6. Simplifications

There are no significant simplifications in calculation of the Technical Provisions other than those used in the calculation of the risk margin as described in 2 above.

D.3 OTHER LIABILITIES

1. Valuation and difference between Irish GAAP and Solvency II

Standard Ireland held the following other liabilities:

Other liabilities as at 20 February 2022	2022 Irish GAAP value US$'000	2022 Solvency II value US$'000
Insurance & intermediaries payables	12,999	12,999
Reinsurance payables	-	30,660
Payables (trade, not insurance)	35,051	4,391
Any other liabilities	3,628	3,628
Total other liabilities	**51,678**	**51,678**

Standard Ireland's valuation of other liabilities under Solvency II is based on the statutory financial statements prepared under Irish GAAP. Liabilities that are classified differently under Solvency II are described below.

- Reinsurance payables - in the Solvency II balance sheet, the amount relates to the intercompany quota share payable balance with Standard Re.
- Payables (trade, not insurance) - in the Irish GAAP balance sheet, the amount consists of the combined non-insurance balance and quota share payable balance with Standard Re. In the Solvency II balance sheet, these two amounts are disclosed separately.

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

D.4 ALTERNATIVE METHODS FOR VALUATION

Standard Ireland does not use any alternative methods of valuation.

D.5 ANY OTHER INFORMATION

Standard Ireland has not identified any other information that it considers material to be disclosed.

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

Standard Ireland's own funds are set out below.

Own funds - Basic	**Tier**	**2022 US$'000**	2021 US$'000
Ordinary share capital	1	**724**	724
Reconciliation reserve	1	**2,056**	1,797
Other own fund items approved by the supervisory authority as basic own funds	1	**30,000**	30,000
Total own funds - Basic		**32,780**	32,521

Own funds - Ancillary	**Tier**	**2022 US$'000**	2021 US$'000
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	2	**12,244**	10,583

Total available own funds	**45,024**	43,104

Standard Ireland's basic own funds are equal to the excess of assets over liabilities of its Solvency II balance sheet ($32.8m). The excess of assets over liabilities is split between ordinary share capital (tier one capital $0.7m), reconciliation reserve (tier one capital, $2.0m surplus) and capital contribution from the parent company (tier one capital, $30.0m).

Standard Ireland's tier two ancillary own funds are $12.2m, recognising the ability to make unbudgeted supplementary calls (capped at 50% of the SCR).

The differences between net assets as calculated under Irish GAAP and those calculated under a Solvency II basis are set out below. Further detail is included in section D2.

Reconciliation of net assets - Irish GAAP to Solvency II	**2022 US$'000**	20210 US$'000
Irish GAAP net assets	**35,602**	35,665
Claims provision adjustment	**(61)**	(394)
Premium provision adjustment	**1,591**	1,171
Risk margin	**(4,352)**	(3,921)
Solvency II net assets and basic own funds	**32,780**	32,521

The club and board tolerance for risk (at both Standard Ireland and Standard Club group level) is limited by the desire to minimise the chance of making unbudgeted calls on the membership, and so the aim is to maintain sufficient capital such that the chance of a supplementary call or other similar material mitigating action is less than 10% over the financial year. Own funds (at both group and Ireland level) are well in excess of regulatory capital requirements.

In addition, one of the goals is to provide first class financial security for its membership, including maintaining a 'AAA' capital strength rating with Standard & Poor's, and so any decisions around premium returns or underwriting rate rises are made in the context of ensuring Irish GAAP net assets remain above this 'AAA' capital level.

Another goal (which supports maintaining capital strength) is to aim for breakeven underwriting, so ensuring the maintenance of the level of own funds.

Volatility of own funds

As set out in section C, the comprehensive reinsurance available to Standard Ireland limits any volatility around the underwriting result, while the conservative investment portfolio limits volatility in the investment result. While there is some volatility around currency risk, even at a 1 in 200 level currency flex per the standard formula, $1m represents approximately 3% of the basic own funds.

Management of own funds

Standard Ireland renews the majority of its business on 20 February. As a result, it can respond to adverse underwriting results by raising insurance rates at renewal (or keeping rates constant or reduce them in the event of underwriting profits occurring). If Standard Ireland has surplus assets, it can return premium to shipowner members. While a sustained period of erosion of own funds through underwriting or investment losses is unlikely, Standard Ireland is also able call on the parent company to contribute additional capital or make a supplemental call on its members.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

1. SCR by risk module

Solvency Capital Requirement (SCR)	2022 US$'000	2021 US$'000
Market risk	**1,499**	1,516
Counter party default risk	**11,630**	8,915
Non-life underwriting risk	**10,934**	9,304
Undiversified BSCR	**24,063**	19,735
Diversification	**(4,035)**	(3,453)
Basic SCR	**20,028**	16,282
Operational risk	**4,461**	4,885
Final SCR	**24,489**	21,167
Minimum Capital Requirement (MCR)	**6,122**	5,292

The Solvency Capital Requirement (SCR) for Standard Ireland is $24.5m (2021: $21.2m) and was calculated using the standard formula. Standard Ireland has not adopted simplified calculations for any risk modules and sub-modules.

Standard Ireland has not used simplified calculations, nor has it used undertaking-specific parameters to calculate the SCR pursuant to Article 104(7) of the Solvency II Directive. The SCR remains subject to formal supervisory assessment and includes no adjustments or capital add-on.

With the year-ended 20 February 2020 being the start of underwriting for Standard Ireland, this year’s increase in SCR was anticipated as the balance sheet is growing.

Reserve risk is expected to (and has been seen to) increase as the levels of outstanding claims (and IBNR) increase in the early years of Standard Ireland’s operation. As the levels of outstanding claims increases so too will the level of reinsurance recoveries, and so counterparty default risk will increase.

Market risk will fluctuate based on the composition of the investment portfolio, changes in interest rates and currency mix in the balance sheet. The reduction in average duration of the investment assets this year has reduced interest risk and overall market risk.

Operational risk as calculated using the standard formula is driven by the level of earned premium and gross technical provisions, so has increased now that underwriting has started.

2. MCR

The Minimum Capital Requirement (MCR) for Standard Ireland is $6.1m (2021: $5.3m), and is calculated as 25% of the SCR.

E.3 USE OF THE DURATION BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

Standard Ireland has not used the duration-based equity risk sub-module in the calculation of the SCR.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

Standard Ireland does not use any internal model in the calculation of the Solvency II SCR.

E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

Standard Ireland has not faced any form of non-compliance with the Minimum Capital Requirement or the Solvency Capital Requirement and has maintained capital sufficient to meet both requirements during the reporting period and at the date of this report.

E.6 ASSESSMENT OF FUTURE CAPITAL REQUIREMENTS AND SURPLUS CAPITAL

With the SCR at 20 February 2022 being $24.5m (2021: $21.2m), and the total eligible own funds being $45.0m (2021: $43.1m), the level of surplus capital stands at $20.5m (2021: $21.9m).

A forecast of future SCRs, own funds and levels of surplus capital based on the two-year business plan are set out below:

	Current	Forecast (unaudited)	
	2022 US$000	*2023 US$000*	*2024 US$000*
Solvency Capital Requirement (SCR)	**24,489**	*26,311*	*28,259*
Minimum Capital Requirement (MCR)	**6,122**	*6,578*	*7,065*
Tier 1 basic own funds	**32,780**	*33,150*	*34,245*
Tier 2 ancillary funds (supplementary calls)	**12,244**	*13,156*	*14,130*
Total eligible own funds	**45,024**	*46,305*	*48,375*
Surplus of total own funds over the SCR	**20,535**	*19,994*	*20,116*

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	37,554
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	37,554
R0140	*Government Bonds*	37,554
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	160,170
R0280	*Non-life and health similar to non-life*	160,170
R0290	*Non-life excluding health*	160,170
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	10,989
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	18,156
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	1,890
R0420	Any other assets, not elsewhere shown	2,296
R0500	**Total assets**	231,056

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	146,598
R0520	*Technical provisions - non-life (excluding health)*	146,598
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	142,245
R0550	*Risk margin*	4,352
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	12,999
R0830	Reinsurance payables	30,660
R0840	Payables (trade, not insurance)	4,391
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	3,628
R0900	**Total liabilities**	198,276
R1000	**Excess of assets over liabilities**	32,780

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

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						130,470						13,950					144,420
R0120	Gross - Proportional reinsurance accepted						4,273											4,273
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share						124,374						12,721					137,095
R0200	Net						10,369						1,229					11,598
	Premiums earned																	
R0210	Gross - Direct Business						130,470						13,950					144,420
R0220	Gross - Proportional reinsurance accepted						4,273											4,273
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share						124,374						12,721					137,095
R0300	Net						10,369						1,229					11,598
	Claims incurred																	
R0310	Gross - Direct Business						94,480						10,179					104,659
R0320	Gross - Proportional reinsurance accepted						76											76
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share						86,345						9,258					95,604
R0400	Net						8,211						921					9,132
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net						0						0					0
R0550	**Expenses incurred**						2,575						157					2,732
R1200	**Other expenses**																	
R1300	**Total expenses**																	2,732

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	144,420						144,420
R0120	Gross - Proportional reinsurance accepted	4,273						4,273
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	137,095						137,095
R0200	Net	11,598						11,598
	Premiums earned							
R0210	Gross - Direct Business	144,420						144,420
R0220	Gross - Proportional reinsurance accepted	4,273						4,273
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	137,095						137,095
R0300	Net	11,598						11,598
	Claims incurred							
R0310	Gross - Direct Business	104,659						104,659
R0320	Gross - Proportional reinsurance accepted	76						76
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	95,604						95,604
R0400	Net	9,132						9,132
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0						0
R0550	**Expenses incurred**	2,732						2,732
R1200	**Other expenses**							
R1300	**Total expenses**							2,732

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**						0						0					0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross						-2,525						-3,340					-5,865
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						-1,158						-3,116					-4,274
R0150	**Net Best Estimate of Premium Provisions**						-1,367						-223					-1,591
	Claims provisions																	
R0160	Gross						147,939						171					148,110
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						160,529						3,916					164,444
R0250	**Net Best Estimate of Claims Provisions**						-12,590						-3,744					-16,334
R0260	**Total best estimate - gross**						145,414						-3,168					142,245
R0270	**Total best estimate - net**						-13,957						-3,968					-17,925
R0280	**Risk margin**						4,141						211					4,352
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**						149,555						-2,957					146,598
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**						159,371						799					160,170
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**						-9,816						-3,756					-13,572

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** Underwriting Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	**Development year**											**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior												0	0
R0160	2013													
R0170	2014													
R0180	2015													
R0190	2016													
R0200	2017													
R0210	2018													
R0220	2019	0	0	0	0								0	0
R0230	2020	17,069	18,076	12,901									12,901	48,047
R0240	2021	18,297	23,316										23,316	41,613
R0250	2022	24,182											24,182	24,182
R0260												**Total**	60,399	113,841

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	**Development year**											**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior												0
R0160	2013												
R0170	2014												
R0180	2015												
R0190	2016												
R0200	2017												
R0210	2018												
R0220	2019	0	0	0	0								0
R0230	2020	53,294	6,414	-37,749									21,237
R0240	2021	54,025	-7,275										47,575
R0250	2022	82,467											79,298
R0260												**Total**	148,110

S.23.01.01
Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	724	724		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	2,056	2,056			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	30,000	30,000	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	32,780	32,780	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	12,245			12,245	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	12,245			12,245	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	45,024	32,780	0	12,245	0
R0510	Total available own funds to meet the MCR	32,780	32,780	0	0	
R0540	Total eligible own funds to meet the SCR	45,024	32,780	0	12,245	0
R0550	Total eligible own funds to meet the MCR	32,780	32,780	0	0	
R0580	**SCR**	24,489				
R0600	**MCR**	6,122				
R0620	**Ratio of Eligible own funds to SCR**	183.85%				
R0640	**Ratio of Eligible own funds to MCR**	535.42%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	32,780
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	30,724
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	2,056
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	1,591
R0790	**Total Expected profits included in future premiums (EPIFP)**	1,591

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	1,499		
R0020	Counterparty default risk	11,630		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	10,934		
R0060	Diversification	-4,035		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	20,028		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	4,461
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	24,489
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	24,489
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

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

USP Key

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

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

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

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	1,602

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	10,369
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	1,229
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	1,602
R0310	SCR	24,489
R0320	MCR cap	11,020
R0330	MCR floor	6,122
R0340	Combined MCR	6,122
R0350	Absolute floor of the MCR	4,309
R0400	**Minimum Capital Requirement**	6,122

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