

Catalina Worthing Insurance Limited

Solvency and Financial Condition Report (SFCR)

31 December 2023

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Executive Summary

Catalina Worthing Insurance Limited (“the Company” or “CWIL”) is a UK-based non-life insurance undertaking regulated by the Prudential Regulation Authority (“PRA”) and the Financial Conduct Authority (“FCA”).

The Solvency and Financial Condition Report (“SFCR”) has been prepared in accordance with the requirements of the Risk Transformation and Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019. It covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management.

In accordance with the PRA policy statement 18/25, CWIL is deemed to be a “small firm” and therefore its SFCR is exempt from the requirement to be externally audited.

Where necessary, comparatives in this document have been restated to conform to changes in presentation in the current year.

Business and Performance

The Company has been in run-off since July 2012. Its principal activities are the efficient and orderly run-off of its claims portfolio, the management of its cash and investments, and the timely collection of its reinsurance assets and other debts.

On 30 November 2022, the insurance business of AGF Insurance Limited (“AGF”) and Catalina London Limited (“CLL”) were transferred into the Company by order of the High Court pursuant to Part VII of the Financial Services and Markets Act 2000. Assets of £220.9 million were transferred into CWIL to cover liabilities for £147.6 million. Within this report, the Company’s insurance business preceding this Part VII transfer is referred to as the “legacy CWIL business”.

During the year, the Company made a loss after tax of £19.6 million (2022: loss after tax of £6.2 million). This mainly comprised a loss on the technical account of £34.6 million (2022: loss of £9.2 million) partially offset by net investment returns of £14.5 million (2022: loss of £7.2 million). Net other income and taxes totalled £0.5 million (2022: £10.3 million). The comparative figures reflect the performance of the legacy CWIL business for the first eleven months of 2022, and the performance of the combined CWIL, AGF and CLL business for December 2022 following the Part VII transfer.

The loss on the technical account of £34.6 million (2022: loss of £9.2 million) was largely driven by reserve strengthening for an increase in average mesothelioma claim costs and deteriorations across US pollution and US abuse claims.

Investment returns of £14.5 million (2022: loss of £7.2 million) comprise interest and dividend income as well as net realised and unrealised gains and losses. Gains on the Company’s fixed income and equity fund investments were partially offset by unrealised losses on its real estate-related investments, but overall the investment result in 2023 was an improvement on 2022 where rising interest rates adversely impacted valuations.

Section A includes further details about the Company’s financial performance in the year.

System of Governance

The Company has in place a Target Operating Model which is a framework by which governance across the wider Catalina Group operates. The Board is responsible for managing the overall direction and activities of the company and for ensuring that an appropriate system of governance is in place.

A Risk Management Framework is embedded within the Company as well as the wider Catalina Group to ensure the objectives of respective entities are achieved.

Section B includes further details of the Company’s system of governance and risk management framework, including its implementation of the “Three Lines” model.

Risk Profile

The Company's risk profile has not changed significantly during the year. Its material risks are reserving, market, credit, liquidity and operational risks. Inflation, cyber security and climate change are influencing the Company's risk profiles to some degree and actions to further mitigate risks are being developed. Section C includes further details of the risks to which the Company is exposed and the methods by which it manages and mitigates these risks.

The latest Own Risk and Solvency Assessment ("ORSA") was approved by the Board in July 2023. The ORSA is an integral part of the business and is considered in the strategic decisions of the Company.

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.

As at 31 December 2023, CWIL's total own funds of £183.1 million (2022: £188.6 million) were £3.7 million higher (2022: £10.5 million lower) than the net assets in the CWIL financial statements of £179.4 million (2022: £199.0 million). The difference is primarily due to the valuation of gross and reinsurance technical provisions.

Section D provides further details of the different valuation bases used by Solvency II and UK GAAP for assets, technical provisions and other liabilities.

Capital Management

The Company uses the Standard Formula to calculate its Solvency Capital Requirement ("SCR"). As at 31 December 2023, the Solvency II surplus was £100.3 million (2022: £103.8 million) corresponding with a Solvency II coverage ratio of 221% (2022: 222%).

The Company's own funds comprise £174.8 million (2022: £188.6 million) of Tier 1 unrestricted own funds and £8.3 million (2022: nil) of Tier 3 own funds. As at 31 December 2023, there were no restrictions on the eligibility of the Company's own funds to cover its SCR (2022: no restrictions).

	2023	2022
	GBP'000	GBP'000
Total own funds	183,126	188,570
Standard Formula Solvency Capital Requirement	82,834	84,819
Solvency II surplus	100,292	103,751
Ratio of eligible own funds to SCR	221%	222%

Outlook

The Company will continue its focused and pro-active approach to agreeing claims. This will facilitate compliance with the Financial Conduct Authority ("FCA") requirements and show consistent and fair treatment of customers' claims. Where appropriate, the Company's management will continue to outsource small elements of the portfolio to FCA-authorized outsourced providers to manage low value, high volume claims; all other claims will be managed within the Catalina UK group. The Company maintains close control over the activities of its Third Party Administrators and legal panel.

The Company expects to significantly increase the size of its claims reserves under run-off. In 2018, the Catalina Group and Zurich Insurance plc ("Zurich") signed a definitive agreement under which Zurich's UK Employers' Liability policies for 2006 and prior will be transferred to Catalina in two stages. At present, these policies are reinsured from Zurich to Catalina General Insurance Ltd. ("CatGen"), a Bermuda-based reinsurance subsidiary of the Catalina Group. The second stage of the transaction involves a Part VII transfer of these insurance liabilities into CWIL, accompanied by a quota share retrocession from CWIL to CatGen. The Part VII transfer into CWIL is subject to necessary regulatory approvals and the approval of the UK High Court. This transfer is not expected to be completed before the second half of 2025. For the intervening period and as since 1 January 2022, Catalina Services UK Limited ("CSUK") will continue to service these claims on behalf of Zurich.

Subsequent to 31 December 2023, there have been no material changes in the business and performance, system of governance, valuation for solvency purposes, and capital management for the Company.

Statement of Directors' Responsibilities

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

We are satisfied that:

- a) throughout the financial year ended 31 December 2023, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurers; and
- b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

By Order of the Board



G J McAndrew

Director

28 March 2024

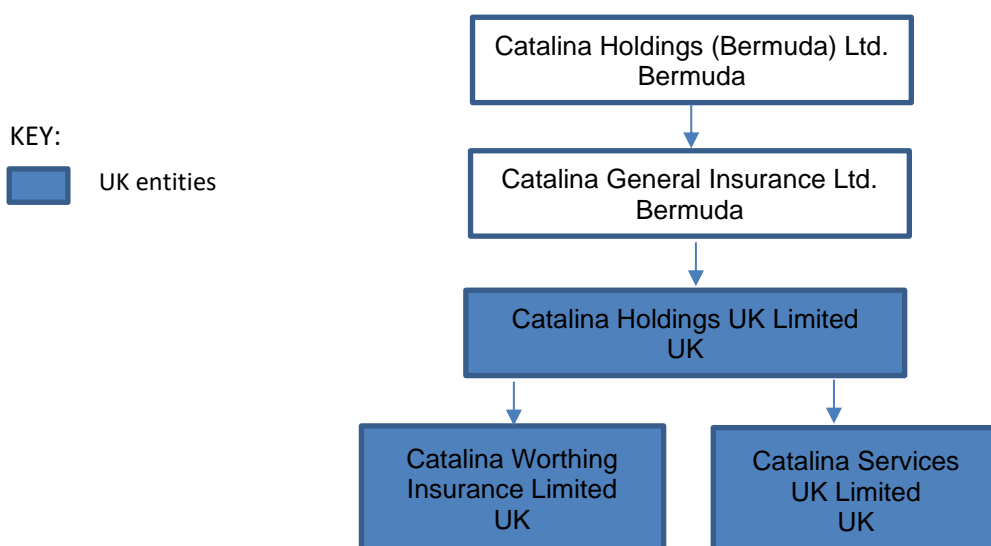
A. Business and Performance

A.1 Business and external environment

A.1.1 Undertaking, financial supervisory authority and external auditor

Name of the undertaking:	Catalina Worthing Insurance Limited
Address of its registered office:	1 Alie Street London E1 8DE
Legal status:	Private Limited Company
Company registration number:	05965916
Legal Entity Identifier (LEI):	213800JEV93JTFJ41Q27
Ultimate parent:	Catalina Holdings (Bermuda) Ltd.
Financial supervisory authority:	Prudential Regulation Authority Bank of England Threadneedle Street London EC2R 8AH
External auditor:	Deloitte LLP 2 New Street Square London EC4A 3BZ

A simplified structure chart is laid out below outlining subsidiary companies, vertical structure and ultimate shareholder ownership. No director of the ultimate holding company sits on the Board of any of the UK legal entities.



The majority shareholders of Catalina Group are the affiliates (the “Apollo Funds”) of Apollo Global Management, LLC (together with its consolidated subsidiaries, “Apollo”) (NYSE: APO). RenaissanceRe Ventures Limited, a subsidiary of RenaissanceRe Holdings Limited (NYSE, RNR) is the minority shareholder alongside Catalina’s management.

The ultimate parent of CWIL is Catalina Holdings (Bermuda) Ltd. (“CHBL”). CHBL is a specialist consolidator of life and non-life insurance and reinsurance companies and portfolios in run-off. The Group is based in Bermuda and currently has offices in Bermuda, the United Kingdom, the United States of America, and Singapore.

In the UK, Catalina Holdings UK Limited (“CHUK”) is the insurance holding company of the Catalina UK Group. CHUK acts as the parent company of CWIL and Catalina Services UK Limited (“CSUK”), an insurance intermediary regulated by the FCA. As at 31 December 2023, CWIL is the sole insurance subsidiary of the UK Group.

CWIL prepares its financial statements on a UK GAAP basis and its reporting currency is GBP.

A.1.2 Material lines of business and geographical areas where the Company carries out business

CWIL was acquired by Catalina from The Hartford in 2017. The Company was initially established by The Hartford as a specialist Directors and Officers (“D&O”) writer in the London market where it wrote business from 2007 until July 2012 when it was placed into run off. In October 2015, the insurance business of Excess Insurance Company Limited (“Excess”), Hart Re (the trading name of the London branch of Hartford Fire Insurance Company Limited) and a portfolio of business originally written by London & Edinburgh Insurance Company (“L&E”) was transferred into the company by order of the High Court pursuant to Part VII of the Financial Services and Markets Act 2000.

In November 2022, the insurance business of AGF Insurance Limited (“AGF”) and Catalina London Limited (“CLL”), both of which were formerly regulated insurance subsidiaries owed by CHUK, were transferred into CWIL by order of the High Court pursuant to Part VII of the Financial Services and Markets Act 2000. Following the Part VII transfer, AGF and CLL were de-authorised by the PRA in April 2023 and subsequently dissolved. Within this report, CWIL’s insurance business preceding this Part VII transfer is referred to as the “legacy CWIL business”.

As at 31 December 2023, CWIL’s portfolio comprises the following books of business:

- Original Directors and Officers (“D&O”) business written in 2007-2012 as The Hartford;
- Excess business written prior to 1992, which mainly comprise US direct and treaty business Asbestos, Pollution and Health (“APH”) and UK Employers Liability business;
- Business of Hart Re, a pure reinsurer of European insurers which wrote business from 1993 to 2002, remaining risks being UK and European motor (including Periodic Payment Orders (“PPO”s)) and some pharmaceutical losses;
- L&E portfolio almost entirely consisting of US direct and treaty APH written through pools including Old Tower, Tower X, HS Weavers and B D Cooke;
- Business of AGF, originally incorporated under the name of Employers’ Mutual Insurance Association Limited, which wrote predominantly direct Employers’ Liability and Public Liability insurance within the UK until 1999; and
- Business of CLL formed through the combination of Alea London Limited (formerly The Imperial Fire and Marine Reinsurance Company), KX Re and OX Re, comprising property and casualty, aviation, marine, motor, personal lines and London Market. OX Re was also a member of a pool that reinsured property and casualty risks written by Community Re between 1979 and 1983. The OX Re book of business was fully commuted in 2022.

The table below shows the distribution of the Company's UK GAAP gross reserves by class of business across its direct and reinsurance portfolios:

Class of Business	2023 % of Reserves	2022 % of Reserves
Property	3.0%	2.3%
Liability	70.0%	70.0%
Marine, Aviation and Transport	1.1%	0.8%
Reinsurance – Casualty	24.3%	25.2%
Reinsurance – Marine, Aviation and Transport	0.6%	0.8%
Reinsurance - Property	1.0%	0.9%

The comparative figures in Sections A2, A3 and A4 reflect the performance of the legacy CWIL business for the first eleven months of 2022, and the performance of the combined CWIL, AGF and CLL business for December 2022 following the Part VII transfer.

A.2 Performance from underwriting activities

The table below shows the underwriting performance for the Company for the year ended 31 December 2023, together with comparatives for the previous year.

During 2023, the Company realised a loss on the technical account of £34.6 million (2022: £9.2 million).

	2023 GBP'000	2022 GBP'000
Earned premiums, net of reinsurance	41	(23)
Claims incurred, net of reinsurance	(22,268)	(3,502)
Net operating expenses	(12,379)	(5,683)
Balance on the technical account	(34,606)	(9,208)
By class of business:		
Property	(1,095)	(3,520)
General liability	(28,237)	(737)
Marine, aviation and transport	(1,475)	(397)
Reinsurance – Casualty	(2,991)	(4,208)
Reinsurance – Marine, aviation and transport	299	(319)
Reinsurance – Property	(1,107)	(27)
Balance on the technical account	(34,606)	(9,208)

The Company's technical result for the year ended 31 December 2023 was largely driven by adverse claims valuation outcomes. Reserves were strengthened for an increase in average mesothelioma claim costs and deteriorations across US pollution and US abuse claims.

A.3 Performance from investment activities

The table below shows the investment income for the Company for the year ended 31 December 2023, together with comparatives for the previous year.

	2023 GBP'000	2022 GBP'000
Net investment income	14,948	5,598
Net investment expenses	(403)	(94)
Net realised losses	(8,793)	(2,323)
Changes in fair value	8,781	(10,421)
Net investment result	14,533	(7,240)

Total investment returns in 2023 were £14.5 million (2022: loss of £7.2 million). Overall gains on the Company's fixed income and equity fund investments were partially offset by unrealised losses on real estate related investments.

A.4 Other operating income and expenses

The table below details any other material operating income and expenses not shown in A2 and A3 above.

	2023	2022
	GBP'000	GBP'000
Foreign exchange gains	46	8,590
Tax credit	427	1,684

Foreign exchange gains of £46k (2022: gains of £8.6 million) arose from translation of foreign currency net assets into GBP, the Company's reporting currency. The smaller foreign exchange impact compared to prior year reflects better currency matching of the Company's net assets.

Tax credit of £0.4 million (2022: credit of £1.7 million) reflects the utilisation of CWIL's carried forward trading losses through group loss reliefs surrendered to other entities within the UK tax group. CWIL received a payment for the group loss reliefs at the prevailing rate of tax for the year.

A.5 Any other disclosures

Not applicable.

B. System of Governance

B.1 General Governance arrangements

The Company’s governance structures and policies are documented in a Governance and Internal Control (“GIC”) Framework. The Board operates under agreed Terms of Reference and dictates a clear system of governance that covers all significant aspects of the business, provides an open forum for challenge, and allocates clear responsibilities for both collective management committees and individuals.

The Board comprises:

- Three independent non-executive directors (“INED”);
- One non-executive director (group nominated);
- Chief Executive Officer (“CEO”);
- Chief Financial Officer (“CFO”); and
- UK Claims Director.

The Board mandates clear responsibilities for the four required key functions:

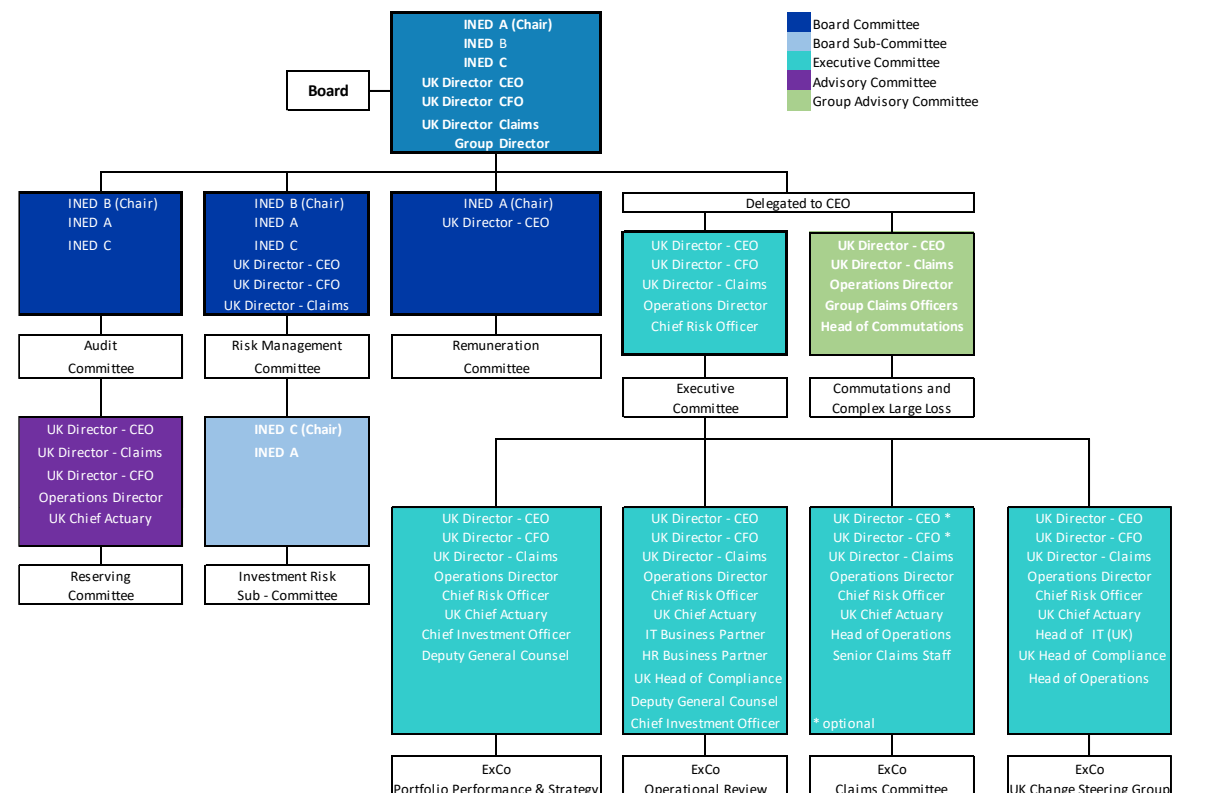
- Risk management;
- Actuarial;
- Compliance; and
- Internal audit.

In addition to the required key functions, the Board has determined that claims, commutations, investment management, outwards reinsurance, human resources and operations are key functions. The allocation of the Senior Manager Functions and key function holders is set out in the GIC and the Management Responsibilities Maps (“MRM”). All senior managers and key function holders are employed or engaged either by CSUK. The allocation of the Prescribed Responsibilities is also set out in the MRMs.

Target Operating Model

The Company has in place a Target Operating Model (“TOM”) which is the framework by which governance across the Catalina group operates.

The following summarises the current TOM for CWIL:



Board Risk Management Committee

The Board Risk Management Committee (“BRMC” or “Risk Committee”) meets outside of Board meetings, is chaired by an INED and currently comprises all the directors of the Company’s Board. The purpose is to have an enhanced focus on risks faced by the Group and the mitigation of those risks.

The Board has delegated the responsibility of oversight of the Risk Management Policy to the UK Chief Risk Officer (“CRO”). The Risk Management Policy defines the framework of the systems, controls, processes and procedures in place to identify, assess, mitigate and manage risk.

The Company has determined its risk appetite and a number of risk tolerances that are measured on a quarterly basis. Reports are included in the Risk Committee and Board papers on adherence to existing risk appetite levels and are summarised by the CRO and the Risk Committee at each Board meeting. The CRO instructs the relevant risk owners to implement any remedial measures that the Board determines are appropriate.

A Board-level Investment Risk Sub Committee supports the BRMC to provide further challenge to the Chief Investment Officer (“CIO”) on specific investment issues and thematic trends in the financial markets.

Board Audit Committee

A principal objective of the Board Audit Committee (“Audit Committee”) is to evaluate and provide assurance that the risk management, control and governance systems of the Company are functioning as intended and will enable its objectives and goals to be met. This includes the Board discharging its responsibilities for monitoring the integrity of the financial statements and monitoring the effectiveness, performance and objectivity of the internal and external auditors. The Audit Committee is solely made up of the INEDs.

The Board has delegated to the UK Head of Internal Audit the responsibility of oversight of the Catalina Group internal audit policy at CWIL legal entity level. An Internal Audit Charter defines the purpose, scope authority, responsibility and reporting relationships of the Internal Audit function in supporting the Audit Committee in its duties. The Charter is reviewed by the Audit Committee on an annual basis.

The following committees are not Board-level committees, but instead they comprise the key management personnel from CWIL and the wider Catalina Group. They act in an advisory capacity to the Board.

Executive Committee

The Board has delegated the day-to-day running of the Company to the UK CEO with a management team to assist in these duties. A report on these activities is presented at Board meetings which are held at least quarterly and with additional meetings as necessary.

The Executive Committee (“ExCo”) is comprised of the CEO, CFO, Claims Director, Operations Director and CRO. The ExCo meets twice a year to assess the Target Operating Model and ongoing effectiveness of the monthly working groups through which the business is managed. The working groups are the UK ExCo Operational Review, Claims Committee, Portfolio Performance & Strategy Group and UK Change Steering Group.

Reserving Committee

The Reserving Committee (“RC”) is in place to review and challenge the output from internal actuarial reviews. It is responsible for reviewing the adequacy of, and recommending the approval of, the Company’s reserves. Matters arising from the RC are reported to the Audit Committee.

Remuneration Committee

CWIL does not have any direct employees and its services are provided by CSUK. CSUK employees are retained on a fixed basic salary plus a discretionary bonus element. Remuneration is reviewed and benchmarked regularly to be competitive with the rest of the market. The Chair of the Board and the UK CEO form the UK Remuneration Committee and meet annually with the UK HR Business Partner to review pay awards and bonuses.

Commutations and Complex Large Loss Committee

The Commutations and Complex Large Loss Committee is an advisory committee charged with:

- i. The responsibility of overseeing claims practices, processes and procedures and providing a further level of control and direction for very large losses; and
- ii. The responsibility of CWIL's Commutation Policy and recommending all significant commutations.

Matters arising from this Committee are reported by the CEO to the Board.

Investments

The Board approves and has oversight over the Strategic Asset Allocation ("SAA"), investment risk appetite and limits, delegating implementation and day-to-day oversight to the UK CIO. The CIO consults with the Catalina Group Investment & ALM Committee regarding overall investment strategy, as well as with the CWIL Board and Risk Committee. The CIO provides a report to Board and Risk Committee meetings, which looks at CWIL's investment risks and objectives, as well as its relative performance.

CWIL's SAA reflects its risk appetite and the requirements of the Prudent Person Principle. In particular, it sets out the requirement for technical liabilities to be backed by rated, liquid, relatively risk-free assets. Other investment classes, such as commercial real estate, will only be used for investing surplus capital. Guidelines are in place governing the process for investing in alternative investments and these are closely monitored by the Enterprise Risk Management ("ERM") function.

B.2 Fit and proper requirements

Solvency II Requirements

The Solvency II Directive specifies that all persons who effectively run the undertaking or have other key functions are "fit and proper". Fit and proper persons must have the appropriate professional qualifications, knowledge and experience to enable them to perform their duties and fulfil their obligations, as well as be of good repute and integrity. Key functions are defined as all functions considered important or critical in the system of governance, including at least the Risk Management, Compliance, Internal Audit and Actuarial functions. The requirement for fit and proper extends to the Board, which collectively asserts that it has the qualifications, knowledge and experience to be able to provide for the sound and prudent management of the business.

The UK CEO is responsible for ensuring that activities are undertaken and managed by professionals with the appropriate experience, skill levels, and degrees of specialisation.

As part of the recruitment process, references are taken up and qualifications checked with the relevant authority or issuer. For senior managers and certification roles, regulatory references are obtained, and criminal record as well as credit reference checks are undertaken upon joining and reperformed every three years.

Regulatory Requirements

Under section 59 of the Financial Services and Markets Act 2000, authorised firms are required to ensure that individuals seeking to perform one or more of the FCA/PRA-designated Senior Management Functions seek PRA and/or FCA approval prior to taking up their position. Each Company manages these requirements in accordance with the Senior Managers and Certification Regime ("SM&CR").

The Company takes reasonable care to maintain a clear and appropriate apportionment of significant responsibilities among its directors and senior managers in such a way that:

- It is clear who has which of those responsibilities;
- The business affairs of the firm can be adequately monitored and controlled by the directors and relevant senior managers and governing body of the firm;
- The Prescribed Responsibilities for each company are included in the Management Responsibilities Map ("MRM");

- Management responsibilities are shown in the management structure diagrams in the MRM; and
- Each senior manager has a Statement of Responsibilities setting out those business areas for which they are directly responsible.

The Company maintains an MRM to satisfy the requirements regarding apportionment and allocation of significant responsibilities. The MRM is updated quarterly or more frequently if required.

The following table sets out the Senior Management Functions (“SMFs”) for the Company as at 31 December 2023:

Senior Manager Role	SMF	SMF role holder
Chairman	SMF9	Tony Mason
Chair Audit Committee	SMF11	Penny Shaw
Chief Executive Officer	SMF1	Graeme McAndrew
Head of Compliance	SMF16	Philip Parsons
Executive Director	SMF3	Guy Lether
Group Entity Senior Manager, Non-executive Director	SMF 7	Andrew Diaz-Matos
Chair Risk Committee	SMF10	Penny Shaw
Independent Non-executive Director		Walt Gontarek
Chief Financial Officer	SMF2	Gregg Jarvis
Chief Actuary	SMF20	Emma Burrows
Chief Risk Officer	SMF4	Chris Porter
Head of Internal Audit	SMF5	Lee Langstaffe
Money Laundering Reporting Officer	SMF17	Philip Parsons
Head of IT	SMF24	Rhian Duff
Operations Director	SMF24	Darren Rowswell
Other overall responsibility:		
Chief Investment Officer	SMF18	Sean Stapleton

The UK Chief Risk Officer (as caretaker for Head of Compliance responsibilities) keeps the PRA informed of persons filling the designated roles and reviews that they meet the fitness and probity requirement on an ongoing basis. A person filling a controlled function must be:

- Competent and capable;
- Honest, ethical and act with integrity; and
- Financially sound.

These checks are conducted independently to any checks performed by the PRA under its own fit and proper review. Checks include: criminal record, credit, evidence of professional qualification and ongoing continuing professional development and reference.

The Company maintains an ongoing Board education programme from which the SMFs also receive the benefit.

In addition to the SMFs above, the following key functions and key function holders have been identified. These individuals also fall within the SM&CR certification regime:

Key function	Key function holder
Human Resources	Camilla Maxwell
Head of Outwards Reinsurance	Gary Pollard
Head of UK Commutations	Trevor Rawlings
Head of Operations	Emma King
Head of Complex Claims	Simon Craigs
Head of UK Direct Claims	Rebecca Payton
Assumed Claims Manager	Jeff Grant
UK Direct Claims Manager	Claire Hamm
UK Direct Claims Manager	Alexandra Black
UK Direct Claims Manager	Megan Dean

B.3 Risk management system

The Catalina UK enterprise risk management function is coordinated by the UK Chief Risk Officer, who works under the authority of the Risk Committee. In line with the internal risk management policies of Catalina Group, CWIL's management team act as the 'first line'. They are primarily responsible for the running of the business and the operation of controls within their own areas, as well as the management of the business' risk profile, in line with Board expectations. Acting as the 'second line', the Risk Committee is responsible for the ongoing monitoring of business operations and the effectiveness and integrity of the risk management framework.

The overall risk management strategy is to ensure that a proper balance is struck between:

- The risks that are economically attractive to take. These must be properly modelled, measured and priced; and
- The risks that are economically unattractive to take. These should be avoided, identified, managed, mitigated and reduced where it is efficient to do so.

Within the Company's Risk Management Policy & Framework there are measures in place to ensure:

- Appropriate risk tolerances are in place to govern risk taking activities;
- An appropriate risk culture and risk appetite forms an essential part of strategic decision making;
- Measurement and monitoring of risk and reporting key risk metrics to senior management and the Board, including a Risk Appetite Dashboard; and
- Appropriate Business Planning and capital planning processes are in place to support the risk taking activities.

The risk framework is intended to reduce, but cannot eliminate, the range of possibilities which might cause detriment. Similarly, the risk management framework cannot provide protection with certainty against any failure to meet business objectives, or guard against material errors, losses, fraud, or breaches of law and regulations. The risk management framework is intended to provide reasonable assurance that business will be conducted in an orderly manner that reasonable foreseeable circumstances will not prevent or limit the achievement of business objectives.

In order to aid the management of overall risk, risk policies have been set for each of the core risk categories.

Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment ("ORSA") documents the output of the Company's enterprise risk management process. The purpose of the ORSA is principally to support the Board of Directors and management to actively manage the economic risk and capital requirements and allow a strategic, forward-looking discussion of future risks and capital needs.

The Board and senior management's involvement are integrated into the ORSA process as they are engaged to challenge, discuss and debate the risks facing the Company. The ORSA process allows management, the Risk Committee and the Board to review the risk and capital requirements and take a strategic, forward-looking view of risks and capital requirements. The ORSA process includes a detailed three-year capital management plan for the Company. The ORSA process is used to highlight key issues to management, and allows management to confirm that:

- The current risk profile is understood and appropriate for the nature of a legacy portfolio and within the risk appetite of the Company;
- Capital requirements during the reporting period have continuously been met (or if not, corrective action was taken);
- The Company's current capital and solvency position is appropriate;
- The Standard Formula model has been used appropriately for strategic decisions throughout the period;
- The risks to the enterprise that could likely change the risk profile are understood; and
- Plans to cover the solvency position and planned capital distributions over the required period are appropriate.

The ORSA is produced by management in conjunction with the Actuarial and Risk Management functions. The ORSA is presented to the Risk Committee and Board annually for challenge, comment and review. The most recent Board review took place in June 2023 with the ORSA approved in July 2023. The result of the Board's review forms the basis for the future strategy of the business and for the following year's ORSA.

Throughout the year ended 31 December 2023, the Company was within stated Tier I risk appetite and tolerances for the key indicators of solvency, reserving sufficiency, investment compliance, regulatory and strategic risk. Relevant Tier II exceptions were noted at the Board Risk Management Committee and Board with agreed remediation activities put into place.

B.4 Internal control system

The Company's internal control systems provide assurance that its operations are effectively controlled, it is compliant with applicable laws and regulations, and its financial reporting is reliable. The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. The oversight and management of these systems necessarily involves participation of the Board, the Audit Committee, the Risk Committee, senior management, Finance, Legal and Internal Audit. Responsibility for ensuring day-to-day oversight of the internal control system lies with the company's Senior Management Function holders and Key Function holders.

The Company actively promotes risk awareness and the importance of internal controls throughout the organisation. All employees receive regular risk management training to ensure they have the necessary knowledge to respond to risks that arise in their day-to-day work. Both senior management and the risk management function are proactive at keeping risk awareness to the forefront of daily operations by:

- Ensuring that all employees are aware of their role in the internal control systems as per the Fit and Proper Policy;
- Ensuring consistent communication and implementation of the internal control systems;
- Establishing monitoring and reporting mechanisms to review and report the decision making processes; and
- Providing appropriate training to all employees.

Compliance Function

All actual or potential breaches of regulation are immediately referred to the UK Head of Compliance, where presently the UK Chief Risk Officer is acting in a caretaker capacity.

The compliance function reports to the Risk Committee and is subject to oversight by the CEO. The Board is ultimately responsible to ensure that the Company remains compliant, where applicable, with the requirements of the 'PRA and FCA Handbooks of rules and guidance'.

The role of the compliance function is to support management in managing the Company's compliance risk and reputational risk. This also covers specific issues such as money laundering, insider dealing, acquisitions and mergers. At the operational level, the compliance function:

- Compiles and maintains Compliance Charts and/or Compliance Risk Assessments;
- Devises annual Compliance Plans to record risk-based activity for the coming year;
- Undertakes regular monitoring and ad-hoc reviews to verify that controls remain robust and adherence to procedures is maintained; and
- Reports compliance control failures, or incidents which may indicate a need to review Compliance Risk Assessments or mitigating procedures.

Within the Company, all payments and any potential new business arrangements are run through an Anti-Money Laundering ("AML"), Anti Bribery and Corruption and Sanctions ("ABC") online tool in accordance with its Counterparty Due Diligence Policy. Annual staff training on AML and ABC is also undertaken. The Board receives a quarterly report of any significant activity in these areas of monitoring.

The Board is also advised quarterly of the status of all open claims complaints.

Whistleblowing

There is both a Catalina Group and a Catalina UK Whistleblowing Policy. The UK Policy contains all of the necessary referrals as required under the FCA rules, including an independent "Whistleblowing Champion". At present this is the Chair of the Board. The Catalina intranet has a link to allow easy access to the whistleblowing hotline and a reporting facility. Reports may be made anonymously if the whistleblower so wishes. This Policy is included as part of the induction process. Catalina takes whistleblowing reports seriously and to protect anyone who makes a complaint in good faith. Ethics training undertaken for all Catalina Group staff includes whistleblowing.

B.5 Internal audit function

The mission of the Internal Audit function ("IA") is to enhance and protect organisational value by providing risk-based, independent and objective assurance, advice, and insight to the Board and Senior Management. IA is the 'third line' within the Company. To ensure independence, the Head of Internal Audit reports to the Chair of the Audit Committee and functionally to the CEO.

The Internal Audit Charter defines the function's purpose, authority and responsibility and position within the organisation. This is reviewed by the Audit Committee on an annual basis. The activities of the function, as noted in the charter, are designed to add value and facilitate the improvement of the organisations effectiveness and efficiency of governance, risk management, and internal control processes.

IA performs its own risk assessment which informs its annual internal audit plan. The Plan is reviewed and approved by the Audit Committee. Updates to the Plan may be made during the year to reflect the Company's evolving risk landscape and needs. Quarterly updates on the activities of IA are provided to the Audit Committee, these updates include:

- Detailed audit reports from the individual audits and summary audit opinions on the control environment of the specific processes, function and or themes audited;
- Annual summary controls report and opinion;
- Emerging trends and risk and control culture;
- The status of agreed management actions; and
- The adequacy and appropriateness of the resources and skills of the function.

The Head of Internal Audit meets privately with the Chair of the Audit Committee at least once a year. The IA function is authorised to review all areas of the Company's operations and to have full, free and unrestricted access to all of the Company's activities, records, property and personnel necessary to complete its audit work. IA is authorised to allocate resources, determine frequency of reviews, determine audit scopes and audit tools and techniques and, to obtain the necessary assistance and specialised subject matter expert services within or outside the Company to accomplish the audit objectives.

The operating guidance for the department is documented in the Catalina Internal Audit Framework. This is updated on an annual basis and adopts the IIA's International Standards for the Professional Practice of Internal Auditing as well as the International Professional Practices Framework ("IPPF"). IA staff comply with the Code of Ethics issued by the Institute of Internal Auditors ("IIA") alongside the Catalina Code of Conduct. In addition, the operating guidance and practices are aligned to the UK Internal Audit Financial Services Code of Practice which has some additional requirements.

B.6 Actuarial function

The Company's Actuarial Function Holder is the Chief Actuary supported by an in-house actuarial team. The Group Chief Actuary provides additional peer review support. The actuarial function:

- Co-ordinates the UK GAAP reserving for CWIL, taking into account the in-house view and any opinions provided by external independent consultants;
- Adjusts the UK GAAP reserves to Solvency II Best Estimate of Liabilities ("BEL");
- Uses the BEL and audited balance sheet to calculate the Company's Standard Formula Capital Requirements, Risk Margin and Own Funds;
- Works closely with the Chief Risk Officer on the ORSA and on wider risk management issues. For the ORSA in particular, the capital level and capital requirements on one-year and to-ultimate bases are projected over the planning period including the modelling of stresses, scenarios, and reverse stress tests;
- Through the Actuarial Function Holder Report, reports to the Board and opines on levels of reserve adequacy, reinsurance arrangements and underwriting policy; and
- Assesses the capital impacts of any material changes in the Company, such as a material change in its reinsurance arrangements.

Each of these activities is undertaken at least annually, but also on an "as and when required" basis to support the business and its decision-making processes.

B.7 Outsourcing

Outsourcing is the delegation of a process, service or activity to a service provider. The Company's core strategy is to utilise and enhance key and distinguishing in-house competences in areas required to manage and extract value from books of business under its control; such competences include claims adjustment, commutation negotiation, reinsurance collections, actuarial evaluation, capital modelling and developing and implementing the most effective and efficient exit strategies, whilst at all times properly meeting the rights and requirements of policyholders, reinsurers, regulators, capital providers and other stakeholders.

When considering whether to outsource any process, service or activity to an external provider, the Company will take account of:

- Its own resource levels and availability;
- Its own internal capabilities and cost structures;
- The timing and extent of any requirements in comparison with the capabilities; and
- Costings and security of an outsource service provider.

The overarching principle will be that whereas processes, services or activities may be delegated to an outsource service provider, ultimate responsibility for those processes, services and activities will remain with the Company undertaking the outsourcing. Outsourcing arrangements have been established in locations that are a best fit for the underlying service.

The Company has a Third Party Risk Management (including Outsourcing) Policy, the purpose of which is to establish the requirements for identifying, justifying, and implementing outsourcing arrangements for its critical or important operational functions or activities. The objective of the Policy is to ensure that the outsourcing of critical or important operational functions or activities does not lead to:

- Reduction in the Board's responsibility for, or influence over key functions;
- Material impairment of the quality of the system of governance;
- Non-adherence to approved policies and procedures;
- Undue increases in operational risk or cost;
- Material impairment to fulfil obligations to stakeholders, nor impede effective supervision by regulators;
- Conflicts of interest; and
- Breach of data protection obligations.

The Board is ultimately responsible for the approval and termination of its outsourcing arrangements of critical or important functions or activities. Critical or important functions or activities include key functions of the system of governance and all functions that are fundamental to carry out its core business.

Within the Company, outsourcing is used in specific areas of claims handling and investment management. CWIL also has an intragroup outsource service agreement with CSUK for the provision of staff and ancillary services.

B.8 Assessment of Governance

Significant work has been undertaken to future-proof the Catalina governance model and to ensure it is proportionate to the nature, scale and complexity of the operations of the Company.

C. Risk Profile

C.1 Underwriting (Liability) Risk

C.1.1 Risk exposure

CWIL has been in run-off since 2012, however the vast majority of the Company's books of business have been in run off since 1992-1998. As at 31 December 2023, there were no unexpired insurance risk exposures from in-force policies.

Underwriting or insurance risk is concerned with fluctuations in the timing, frequency and severity of insured events, relative to expectations at the time of underwriting. As CWIL is no longer exposed to losses from new events, these risks are limited to reserve risk, i.e., the risk of losses due to the adverse development of loss reserves. CWIL does not have a pre-determined tolerance for insurance risk but the 1-in-20 value at risk from a reserve risk standpoint obtained from Catalina's Internal Capital Model ("ICM") is monitored to assess how the reserve volatility changes over time.

Actual underwriting results are monitored against budgeted results on a quarterly basis, although for meaningful variances the underwriting reserves, gross and net are subject to annual actuarial review which is compared to the Business Plan. Given CWIL's run-off status, management focuses primarily on variances in claims reserves.

In addition to the formal Committees that are part of the governance framework that monitor insurance risk, the Executive Committee meetings are an important tool to increase coordination and manage risk. There are three working groups: Operational Review Group held monthly where senior managers provide updates on local and group level initiatives and operational tasks; Claims Committee meetings held quarterly covering all classes of claims; and monthly Portfolio Performance and Strategy Group meetings at which the overall company business is reviewed in particular against objectives for the year. These meetings all contribute to ensuring insurance risk is being properly managed against strict and prudent reserving guidelines and standards.

CWIL has established robust systems and controls to ensure that claims settlement is performed according to its guidelines, within the authorities given to each adjuster, and to establish appropriate reporting requirements.

C.1.2 Underwriting (Liability) Risk Exposures, Concentrations, Mitigations and Sensitivities

Most of the Company's remaining gross exposures relate to asbestos, and hearing impairment claims, arising from employer's liability business in the UK and asbestos, pollution and health hazard losses arising from direct and treaty involvements in the US.

Liability risk exposures are mitigated by diversification across a portfolio of insurance contracts and geographical areas. Furthermore, strict claim review policies are in place to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent review of all claims are the key policies and procedures put in place to reduce risk exposure. CWIL further enforces a policy of actively managing and promptly pursuing claims, to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

Notwithstanding the impact of inflation, reserves are relatively insensitive, due to the events which caused the claim occurring many years ago. Nevertheless, reserve sensitivity is modelled in both the ORSA and in the Solvency II SCR. Risk sensitivity is further reduced through reinsurance. For the legacy CWIL business, an 80% quota reinsurance arrangement with CatGen, a Bermuda-based reinsurer which is part of the Catalina Group, significantly reduces the net exposure.

With the exception of the expansion of US abuse claims due to state and federal laws that have reopened statute of limitation windows on a state-by-state basis, there has been no material change in the reserve risk profile over the last few years nor is it expected to change significantly over the three-year planning horizon.

C.2 Market Risk

C.2.1 Risk exposure

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

All investment decisions are made subject to due consideration of the Prudent Person Principle (“PPP”) as set out in Article 132 of the Solvency II Directive. The PPP requires the Company to only invest in assets and instruments:

- Whose risks can be properly identified, measured, monitored, managed, controlled and reported;
- That ensure the security, quality, liquidity and profitability of the portfolio as a whole;
- That are appropriate to the nature and duration of insurance and reinsurance liabilities; and
- In the best interest of policyholders and beneficiaries.

The Company seeks to maximise investment returns within its Board-approved Strategic Asset Allocation, the Investment Risk Policy and the Investment Policy Statement & Guidelines (“IPS”).

The Company’s investment policy and related guidelines have been formulated to ensure that they are in accordance with all aspects of the PPP. Its investment goals are to:

- Preserve invested capital;
- Protect policyholders’ interests and the Company’s ability to meet liability payouts and operating expense obligations as they become due;
- Manage the Company’s investment portfolios at all times in conformity with the UK regulatory and legal frameworks;
- Establish a liability driven investment strategy by way of respecting the duration profile of the liability portfolio and creating an asset liability matching investment portfolio;
- Optimise the portfolio to provide a sustainable risk-reward profile that ensures solvency coverage is not excessively impacted during severe market events; and
- Manage the investment portfolio in line with the established Risk Appetite Framework and the Company’s specific investment guidelines.

The Company’s investment policy and related guidelines are implemented by the in-house Catalina Asset Management team, with assistance of external investment managers as required to achieve optimal outcomes. The UK CIO is responsible for making investment decisions on behalf of the Company and for ensuring compliance with the asset allocation and counterparty exposure limits specified by the Company’s investment guidelines and risk appetite statements.

Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Company is exposed to interest rate risk from its long-term investments at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate investments.

Asset/liability matching is an important component of CWIL’s investment management philosophy. The weighted average life of investments is typically managed to be slightly shorter than the run-off profile of liabilities.

The Company’s main source of interest rate exposure is fixed-rate cash bonds of which they hold different types, primarily corporate and government bonds. There are also holdings of other asset types, such as municipal bonds and several types of securitized products. Many of those have floating-rate coupons so have little rate exposure.

Management actively monitors interest rate risk, primarily through use of key rate durations and effective duration. Limits on effective duration are specified in the Investment Guidelines, which are modelled using

data from Bloomberg. The CIO reports to the Risk Committee and the Board on key market risk metrics and compliance with market risks.

While for UK GAAP purposes, the value of liabilities is unaffected by interest rate changes, for Solvency II purposes, the technical provisions are affected, as they are discounted in line with risk free interest rates. An increase in interest rates reduces the value of both interest rate-sensitive assets and the value of Solvency II technical provisions. This provides a natural offsetting effect, as the net impact is reduced compared to the monetary amount of the change for the assets or liabilities alone.

An interest rate risk charge is modelled as part of the solvency capital requirement, to ensure sufficient capital with a probability of 99.5% over a twelve month period.

The sensitivity analyses below have been determined based on the exposure to interest rates for investments held at the balance sheet date. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Pre-Tax Profit Impact	2023	2022
	GBP'000	GBP'000
1% increase	(12,136)	(6,952)
1% decrease	12,136	6,952

Foreign exchange risk

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The risk of exposing the assets or liabilities to exchange rate fluctuations is managed by broadly matching liabilities with assets in the same currencies.

Assets and liabilities by currency are reviewed each quarter to ensure they are matched where possible and that cash is available to discharge liabilities in their respective currencies. From time to time, the Company may utilise foreign currency forward contracts as part of its overall foreign currency risk management strategy or to obtain exposure to a particular financial market. These derivatives are not designated as hedging investments.

The Company's main foreign currency exposures are to USD and EUR. The sensitivity analysis below has been determined based on the net asset exposure to USD and EUR movements as at 31 December 2023. A 10% increase or decrease is used when reporting foreign exchange risk internally to key management personnel and represents management's assessment of the reasonably possible change in currency rates.

Pre-Tax Profit Impact	2023	2022
	GBP'000	GBP'000
GBP / USD		
10% increase in USD/GBP exchange rate	172	521
10% decrease in USD/GBP exchange rate	(172)	(521)
GBP / EUR		
10% increase in USD/EUR exchange rate	19	(347)
10% decrease in USD/EUR exchange rate	(19)	347

Other price risk

The Company is exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. The Company has no significant concentration of price risk. The risk is managed by maintaining an appropriate mix of investment instruments, including those with floating rate characteristics.

The Company's sensitivity to a 1% increase and decrease in market prices is as follows:

Pre-Tax Profit Impact	2023	2022
	GBP'000	GBP'000
1% increase		
Movement in fair value of share and other variable securities in unit trusts	156	172
Movement in fair value of debt securities and other fixed income securities	2,043	1,387
Movement in fair value of other financial investments	982	1,569
1% decrease		
Movement in fair value of share and other variable securities in unit trusts	(156)	(172)
Movement in fair value of debt securities and other fixed income securities	(2,043)	(1,387)
Movement in fair value of other financial investments	(982)	(1,569)

C.2.2 Market Risk Exposures, Concentrations, Mitigations and Sensitivities

The Company manages investment risk through extensive use of portfolio management analysis software and the appointment of specialist third party asset managers, who have demonstrated an extensive and successful track record of managing assets on behalf of insurance and reinsurance clients. Mandates assigned to asset managers clearly stipulate the terms on which investments may be made. Documented mandates are referred to as Investment Policy Statements.

Quarterly scenario testing is performed based on various past market distress events to understand the implication of changes in asset mix and duration. For the management of interest rate risk, this takes the form of matching asset cashflow duration with maturities of liabilities to maintain adequate positive net cash flow and ascertain any duration imbalance.

Where appropriate and cost efficient, hedging strategies may be pursued to protect the strength and ensure the stability of the Company's asset base.

Historic stress tests are determined by looking at the total returns over a specified period. Market stress tests are determined by calculating the beta of each index to the time series used in the scenario definition, with two years of month-end to month-end returns for the data. Market stress tests are performed quarterly and are included in each company's risk management reporting packs.

CWIL is permitted to invest in publicly-traded equities in both the UK and the US. Bonds are owned in several currencies, but almost all holdings are held in currencies in which the majority of CWIL's insurance liabilities are denominated. Equity and currency exposures are tracked carefully; and are included in the VaR type analyses. The historic stress tests are essentially historic simulation models.

Market risk is tracked in various ways, including rate and spread durations, asset liability management and historic stress tests. The Company's assets and liabilities are well matched against liquidity and currency risk. There is a comprehensive set of investment checks and balances which define in detail the Company's risk appetite in respect of individual and sector concentration, effective duration, credit quality, and exposure to emerging markets and high yield instruments. Adherence to these measures forms part of the regular investment risk reporting. The Board and Risk Committee provides regular oversight of all investment decisions to ensure compliance the Company's guidelines and any relevant regulations.

C.3 Credit Risk

C.3.1 Risk exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for CWIL are in relation to its investment portfolio, reinsurance programme and, to a lesser extent, amounts due from intermediaries. Policies and procedures are in place to manage and measure credit risk. For certain reinsurance arrangements, this includes mitigation through collateralisation arrangements.

Credit risk monitoring is mainly through the regular monitoring of external credit ratings for the Company's investment portfolio and its reinsurance assets. Only credit ratings from external credit assessments institutions are used, and the overall credit quality step is calculated in line with Solvency II regulations. Where there are no credit assessments from external credit assessments institutions, the credit quality step used is 'Unrated' (i.e., no internal credit assessments made at present).

The following table shows aggregated credit risk exposure for assets with external credit ratings; the carrying value of assets that are neither past due nor impaired; and the ageing of assets that are past due or impaired:

	2023	2022
	GBP'000	GBP'000
By class of asset:		
Financial investments	15,628	17,190
Debt securities and other fixed income securities	204,268	138,678
Other Financial Investments	113,285	208,225
Assets arising from reinsurance contracts held	303,125	325,664
Assets arising from insurance contracts held	2,414	4,568
Cash and cash equivalents	19,923	27,812
Other assets	44,721	24,268
Total assets bearing credit risk	703,364	746,405
By credit rating:		
AAA	28,034	19,944
AA	95,225	93,732
A	94,162	96,969
BBB	98,717	117,904
Below BBB or not rated	387,226	417,856
Total assets bearing credit risk	703,364	746,405
Financial assets past due or impaired:		
Neither past due nor impaired	58,115	36,957
Past due less than 30 days	38	84
Past due 31 to 60 days	79	1,529
Past due 61 to 90 days	3,640	278
Past due more than 90 days	1,769	4,414
Total financial assets past due or impaired	63,641	43,262

Within the total financial assets past due or impaired, is a total impairment against insurance and reinsurance operations at 31 December 2023 of £24.0 million (2022: £22.1 million).

Internal credit risk refers to the internal reinsurance in place with the quota share arrangements with CatGen. The primary mitigation against intracompany credit risk is through the existing collateral trust in place on behalf of CWIL. CatGen's performance is monitored on a quarterly basis, the levels of collateral are monitored monthly and an exercise is performed annually to validate an internal rating for CatGen in the Catalina Internal Capital Model using a rating agency framework. This risk is anticipated to increase in the medium time horizon, due the planned Zurich Part VII transfer.

C.3.2 Credit Risk Exposures, Concentrations, Mitigations and Sensitivities

Credit risk relates to the possibility that the Company becomes exposed to losses occurring as a result of third parties and counterparties failing to fulfil their obligations. Credit risk on receivables is minimised by pursuing early commutation where possible and if economically beneficial, as well as ongoing monitoring of reinsurers for creditworthiness and ability to make payments as they arise.

The Company is also exposed to credit risk via its investment portfolio. Its investment guidelines stipulate that credit quality may not fall below a weighted average of A- across the portfolio. There are also specific concentration limits around individual obligors and around industry/sector exposures. The CIO is

responsible for credit risk compliance reporting to the Board and the Risk Committee. Selected credit risk metrics and any breaches of the guidelines are reported to the Risk Committee.

The stress testing and sensitivity results cover both market and credit risks.

C.4 Liquidity Risk

C.4.1 Risk exposure

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. The objective of liquidity risk management is to ensure that the Company has sufficient access to funds necessary to cover insurance claims and other financial obligations as they fall due. CWIL manages its liquidity risk by monitoring forecast and actual cash flows. Most of its assets are marketable securities which can be converted into cash when required.

C.4.2 Liquidity Risk Exposures, Concentrations, Mitigations and Sensitivities

CWIL manages liquidity risk through regular forecasting of expected cash flows. Considerations for liquidity management include analysis of asset and liability mean terms and durations.

Regular oversight of the Company's liquidity position is conducted by the CFO, Group Treasurer and/or CIO in conjunction with the Finance team. Regular reporting of assets encumbered by Letter of Credit or Trusts is supplied to the Board. In addition, a quarterly analysis of estimated time to liquidate assets from the portfolio is presented to the Risk Committee to establish exposure to illiquid positions.

The Company holds significant amounts of liquid investments and cash. Liquidity stress testing and sensitivity analysis is not undertaken given the considerable cash and cash equivalents held compared against the duration of liabilities.

The following table shows details of the expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance liabilities.

	Less than 1 year	1 – 5 years	5+ years	Total
2023	GBP'000	GBP'000	GBP'000	GBP'000
Financial liabilities and claims outstanding				
Claims outstanding	40,727	141,645	282,834	465,206
Deposits received from reinsurers	4,052	14,094	28,143	46,289
Creditors arising out of reinsurance operations	10,051	-	-	10,051
Other creditors including taxation and social security	1,932	-	-	1,932
Accruals and deferred income	464	-	-	464
	57,226	155,739	310,977	523,942
<hr/>				
2022	GBP'000	GBP'000	GBP'000	GBP'000
Financial liabilities and claims outstanding				
Claims outstanding	39,703	138,444	311,245	489,392
Deposits received from reinsurers	3,801	13,253	29,796	46,850
Creditors arising out of reinsurance operations	8,533	-	-	8,533
Other creditors including taxation and social security	2,248	-	-	2,248
Accruals and deferred income	360	-	-	360
	54,645	151,697	341,041	547,383

C.5 Operational Risk

C.5.1 Risk exposure

Operational risk relates to the possibility that the Company becomes exposed to losses occurring as a result of failures within their internal systems and processes. The Company's operational risk mainly stems from people, process or technology failures. Close collaboration with the functional areas, for example through the discussion of operational risks at Executive Committee Operating Review meetings, allows the CRO and management to identify any vulnerabilities before they adversely affect business process.

C.6 Other Material Risks

Strategic Risk

In the beginning of 2023, the Catalina Group made the strategic decision to shift away from broker distributed property and casualty business opportunities to focus on non-property and casualty opportunities with a greater probability of consistently profitable returns that generate capital and benefit all entities in the Catalina Group. Any longer-term risk from the strategic decision is actively monitored to assess and determine appropriate remediation activities.

Inflation Risk

There are signs that the sharp increases in inflation experienced in 2021 and 2022 have started to settle and recede. Inflation is generally measured as a year on year % change, with the UK Consumer Price Index (CPI) rising by 4.0% and the US CPI rising by 3.4% in the 12 months to December 2023 (in the 12 months to December 2022, the UK CPI rose by 10.5% and the US CPI rose by 6.5%). The potential impacts of inflation on the Company are on the cost of settling claims, investment returns and operating expenses.

The UK Board will continue to actively monitor and mitigate inflation risk in 2024 with particular emphasis on appropriateness of inflation assumptions used in reserving. The Company's asset-liability matching programme and strategic asset allocation are reviewed annually and includes consideration of the expected impacts of inflation.

Cyber Security Risk

Cyber threats are expected to persist in 2024 and increasing levels of sophistication are anticipated. High profile cyber security incidents have continued to impact corporates globally due to the increased use of destructive malware and ransomware exacerbated also by a change in working practices. The Company has applied lessons learned from industry events in 2023 to strengthen its operational resilience.

The Company, through the Catalina Group Chief Information Security Officer ("CISO"), has an active cyber security enhancement plan to reinforce its defences against rising external threats. These include on-going enhancements to vulnerability management, data protection, security logging & monitoring, incident response and controls monitoring. Cyber educational efforts are also considered to mitigate this risk. The Company recognises the seriousness of the threats posed and the need to mitigate the operational risks posed by cyber security breaches.

Geopolitical Risk

Geopolitical risks deepened in 2023 as the Russia-Ukraine conflict drew on, new conflicts broke out in the Middle East and tensions persisted in US-China relations. These have exacerbated the issues in a global economy that was still recovering from the fallout of the COVID-19 pandemic, contributing to significant market volatility, high inflation and rising interest rates throughout the year. Instability is expected to continue in 2024 with a wave of elections in geopolitically significant countries, with outcomes that may reshape the global order. The Directors will continue to be vigilant in monitoring this risk, with particular focus on geographical concentrations of its investment portfolio and applicable sanction regulations.

Emerging Risk

The Company has an established Committee to monitor emerging risks to ongoing operations. A collection of torts relevant to Catalina are monitored and reviewed, including sexual abuse, CTE (brain injuries), PFASs (forever chemicals) and climate change to assess their implications to the business. In addition, a horizon

scan of relevant regulatory, legislative, relevant court cases and other industry body issues are monitored to assess their likelihood and impact on the UK business if they were to crystallise. Updates on the emerging risk landscape are provided to the UK Board Risk Management Committee twice a year.

Sustainability Risk

The Board has responsibility for considering climate-related matters and risks. Actively researching and integrating ESG factors into Catalina's broader risk management framework as part of sustainability risk monitoring is becoming more important. Environmental risks are managed through the following:

- *Environmental, Social and Governance ("ESG")*
The Company recognises the risks of climate change and has an ambition to pursue an ESG agenda. CWIL has adopted the broader Catalina Group ESG policy and through this established a UK ESG Committee.

The UK ESG Committee is tasked to promote the intentions of the ESG policy and the need to engage in wider society by playing a part in ensuring consideration of the environment in business decisions, including for example where to invest, how to reduce the carbon footprint and to promote the contribution to the community.

- *Investment Decisions*
The Company has reviewed its approach to investments in light of the ESG policy. This is driven by a conviction that ESG considerations are increasingly relevant as a performance driver. A responsible investment policy has been designed for the broader Catalina Group. Aggregate exposures to carbon intensive industries are maintained and as yet due to the minor carbon intensive investment exposure within the Company, no divestment has been required.

D. Valuation for Solvency Purposes

This section provides a description of the bases, methods and other assumptions used in the valuation of assets, technical provisions and other liabilities on the Solvency II balance sheet. Details of the Solvency II valuation basis can be found in the notes in sections D.1, D.2 and D.3. Any alternative methods for valuation are found in D.4.

CWIL prepares its financial statements under UK GAAP. For the majority of the Company's assets and liabilities other than technical provisions, their financial statements valuations are consistent with the Solvency II basis of valuation.

D.1 Assets

Assets are recognised in line with the requirements of Solvency II regulations, the basis of which is the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

In the table below, the Solvency II value of each material class of assets are set out together with the equivalent financial statements valuation:

Solvency II Classification	Solvency II Value 2023 GBP'000	Valuation Differences 2023 GBP'000	Reclassified UK GAAP 2023 GBP'000	Financial Statements Value 2023 GBP'000	Note
Deferred tax assets	8,291	-	-	8,291	1
Equities - unlisted	17,727	-	-	17,727	2
Government bonds	86,532	-	1,091	87,623	3
Corporate bonds	119,764	-	(3,446)	116,318	4
Collateralised securities	328	-	(1)	327	5
Collective investment undertakings	95,395	-	(161)	95,234	6
Derivatives	854	-	-	854	7
Deposits other than cash equivalents	15,099	-	(1)	15,098	8
Reinsurance recoverables	221,330	62,739	-	284,069	9
Deposits to cedants	7,612	-	-	7,612	10
Insurance and intermediaries receivables	2,414	-	-	2,414	11
Reinsurance receivables	19,056	-	-	19,056	12
Cash and cash equivalents	12,311	-	-	12,311	13
Receivables (trade not insurance)	32,176	1,704	-	33,880	14
Other assets	-	32	2,518	2,550	15
Total assets	638,889	64,475	-	703,364	

Solvency II Classification	Solvency II	Valuation	Reclassified	Financial	Note
	Value	Differences	UK GAAP	Statements	
	2022	2022	2022	Value	
	GBP'000	GBP'000	GBP'000	2022	
	GBP'000	GBP'000	GBP'000	GBP'000	
Deferred tax assets	-	8,359	-	8,359	1
Equities - unlisted	18,315	-	-	18,315	2
Government bonds	17,417	-	(66)	17,351	3
Corporate bonds	122,511	-	(1,955)	120,556	4
Collateralised securities	390	-	381	771	5
Collective investment undertakings	157,092	-	(1,344)	155,748	6
Derivatives	-	-	7	7	7
Deposits other than cash equivalents	51,396	-	(51)	51,345	8
Reinsurance recoverables	230,733	77,607	-	308,340	9
Deposits to cedants	7,095	-	-	7,095	10
Insurance and intermediaries receivables	4,568	-	-	4,568	11
Reinsurance receivables	17,324	-	-	17,324	12
Cash and cash equivalents	20,717	-	-	20,717	13
Receivables (trade not insurance)	10,114	2,694	203	13,011	14
Other assets	-	73	2,825	2,898	15
Total assets	657,672	88,733	-	746,405	

Notes to Asset Valuation Basis

Where financial assets are valued using active markets, an active market means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

1. Deferred tax assets

For Solvency II purposes, deferred tax balances are only recognised in relation to all assets and liabilities that are recognised for Solvency II own funds and only where it is probable that future taxable profits will lead to the realisation of the asset. Under UK GAAP, CWIL recognises a deferred tax asset of £8,291k (2022: £8,359k) arising from carried forward tax losses and capital allowances in excess of depreciation. A corresponding deferred tax asset of £8,291k (2022: £nil) is recognised in the Company's Solvency II balance sheet.

2. Equities - unlisted

Unlisted equities represent holdings in non-listed legal entities that invest in real estate. As these entities are not listed on a recognised exchange, fair value has been determined by reference to the net asset value of the entities. The net asset values are largely determined using either; acquisition price where there is reasonable proximity between acquisition and reporting date or by commercial real estate valuations performed by Chartered Surveyors (members of the Royal Institution of Chartered Surveyors). The valuations are prepared by considering the aggregate for the net annual rents receivable and where relevant, associated costs.

3. Government bonds

Government bonds are valued using prices provided by external pricing vendors where these valuations are mostly based on quoted prices in active markets that are readily and regularly available. Where not readily available, pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may adjust for the elapsed time from a trade date to the valuation

date to take into account available market information. Lacking recently reported trades, pricing vendors will use modelling techniques to determine a security price. The valuation basis for Solvency II is consistent with the CWIL Financial Statements basis.

The Solvency II valuation includes accrued interest of £484k (2022: £66k). In the CWIL financial statements, accrued interest is included within "Other Debtors".

As at 31 December 2023, £1,575k (2022: £nil) of agency bonds are reported as Government Bonds in the CWIL Financial Statements and reclassified to Corporate Bonds for Solvency II reporting purposes.

4. Corporate bonds

Corporate bonds are valued using prices provided by external pricing vendors where these valuations are mostly based on quoted prices in active markets that are readily and regularly available. Where not readily available, pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may adjust for the elapsed time from a trade date to the valuation date to take into account available market information. The valuation basis for Solvency II is consistent with the CWIL Financial Statements basis.

The Solvency II valuation includes accrued interest of £1,871k (2022: £1,955k). In the CWIL financial statements, accrued interest is included within "Other Debtors".

As at 31 December 2023, £1,575k (2022: £nil) of agency bonds are reported as Government Bonds in the CWIL Financial Statements and reclassified to Corporate Bonds for Solvency II reporting purposes.

5. Collateralised securities

Collateralised securities represent residential and commercial backed mortgages and asset backed securities. Their fair values are determined based on either quoted prices in active markets for similar assets or liabilities, or quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. The valuation basis for Solvency II is consistent with the Company Financial Statements basis.

The Solvency II valuation includes accrued interest of £1k (2022: £1k). In the CWIL financial statements, accrued interest is included within "Other Debtors".

As at 31 December 2022, £382k of securities issued by mortgage associations are reported as Mortgage-Backed Securities in the CWIL Financial Statements and reclassified to Corporate Bonds for Solvency II reporting purposes.

6. Collective investment undertakings

Collective investments undertakings represent holdings in non-listed third-party investment vehicles. These are not listed on a recognised exchange hence fair value is determined via direct or indirect observable data which is generally recent transactions in the same or similar instruments. These include holdings in private equity and debt funds where look through information and valuation is sourced by the fund based on direct and indirect observable data. This is considered to represent fair value for Solvency II and CWIL Financial Statements purposes.

The Solvency II valuation includes accrued interest of £161k (2022: £1,344k). In the CWIL financial statements, accrued interest is included within "Other Debtors".

7. Derivatives

The fair value of derivatives for both Solvency II and Financial Statements purposes is determined using readily available foreign currency exchange rates to value the open contracts at the reporting date. The difference in value between the reporting date and contract maturity date is recognised as either an asset or liability.

8. Deposits other than cash equivalents

Deposits other than cash equivalents are deposits with credit institutions which are not readily convertible to cash, i.e., are not accessible in under 24 hours. For both Solvency II and Company Financial Statements purposes, fair value is the value of the deposit holding.

The Solvency II valuation includes accrued interest of £1k (2022: £51k). In the CWIL financial statements, accrued interest is included within "Other Debtors".

9. Reinsurance recoverables

For Solvency II purposes, the fair value of reinsurers' share of technical provisions is determined after applying discounting, whereas in the CWIL Financial Statements the gross technical provisions and related reinsurers' share of technical provisions are undiscounted. Discounting for fair value purposes uses the relevant risk-free yield curves for each currency. For a fuller explanation of the valuation adjustment of £62,739k (2022: £77,607k), refer Section D.2 Technical Provisions.

10. Deposits to cedants

Deposits to cedants are a requirement of certain reinsurance contracts. These amounts are provided as cash and considered to represent fair value. Determination of fair value for deposits with cedants for Solvency II and CWIL Financial Statements is after consideration of impairment of any amounts receivable. The valuation basis for Solvency II is consistent with the CWIL Financial Statements basis.

11. Insurance and intermediaries receivables

Insurance and intermediaries receivables of £2,414k (2022: £4,568k) are measured at amortised cost for Company Financial Statements purposes. For Solvency II purposes, given that the level of discount or premium held against the principal receivable is immaterial, amortised cost is considered to materially reflect fair value.

12. Reinsurance receivables

The valuation basis for reinsurance receivables within the CWIL Financial Statements and Solvency II balance sheet is undiscounted. Determination of fair value for Reinsurance Receivables for Solvency II and Financial Statements is after consideration of impairment of any amounts receivable.

13. Receivables – trade not insurance

For Solvency II purposes, the fair value of trade receivables are the amounts due after consideration of any impairment. The valuation basis for Solvency II is consistent with the CWIL Financial Statements basis.

Trade receivables, comprise an inter-company debt representing future administration fees recoverable from CatGen. These amounts are in addition to the terms of the 80% reinsurance protection afforded under the CWIL quota share arrangement. This amount is due over a period that matches the run-off of technical provisions. For Solvency II purposes, the fair value of the receivable has been discounted at the risk-free rate, resulting in a valuation adjustment of £1,704k (2022: £2,694) compared to the CWIL Financial Statements valuation.

14. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits and are readily accessible i.e., within 24 hours. There are no restrictions on accessing cash or cash equivalents, hence fair value under Solvency II is the value of the cash holding.

15. Other assets

Prepayments of £32k (2022: £73k) are deemed to have nil fair value for Solvency II purposes.

Accrued interest of £2,518k (2022: £2,825k) has been reclassified to the respective investment classes on the Solvency II balance sheet (government bonds, corporate bonds, collective investment undertakings and deposits other than cash equivalents).

D.2 Technical provisions

Technical provisions comprise the best estimate of liabilities and risk margin according to Articles 75 to 86 of the Solvency II regulations.

Best estimate liabilities (“BEL”) refer to the sum of claims provision and premium provision:

- The claims provision is the discounted best estimate of future cashflows relating to events prior to the valuation date, including claims which have not yet been reported. The cash flows include net claims, future expenses incurred to settle these claims and future premiums receivable in relation to the past exposure. The corresponding reinsurers’ share of gross claims technical provisions, disclosed as “reinsurance recoverables” in Section D.1, is valued using the same techniques as the gross claims technical provisions.
- The premium provision is the discounted best estimate of future cashflows relating to claim events that have not yet occurred but that are covered by contracts in existence at the valuation date. The cash flows include net claims, future expenses incurred to settle these claims and future premiums receivable in relation to future claims events. The run-off nature of the Company means that there are no future exposures at the valuation date and therefore no premium provision.

The risk margin is an estimate of the amount that a third party taking on the insurance obligations of a company would require over and above BEL. The risk margin is calculated using a cost of capital approach. The Insurance and Reinsurance Undertakings (Prudential Requirements) Regulations 2023 published by the HM Treasury implemented changes to the risk margin for 2023 year-end, reducing the cost of capital rate from 6% to 4%.

The following table quantifies the total gross technical provisions on a Solvency II basis at 31 December 2023. The lines of business can represent direct, proportional reinsurance or non-proportional reinsurance liabilities.

	Gross Best Estimate 2023 GBP'000	Risk Margin 2023 GBP'000	Solvency II Provisions 2023 GBP'000	Financial Statement Value 2023 GBP'000
By material line of business:				
Direct Insurance				
Marine, aviation and transport	3,487	164	3,651	4,928
Fire and other damage to property	5,995	282	6,277	13,902
Casualty	274,226	12,916	287,142	326,011
Proportional and Non-proportional Reinsurance				
Casualty	77,850	3,667	81,517	104,685
Marine, aviation and transport	782	37	819	2,757
Property	8,867	418	9,285	4,587
Annuities stemming from non-life insurance contracts	7,961	375	8,336	8,336
Total	379,168	17,859	397,027	465,206

	2022 GBP'000	2022 GBP'000	2022 GBP'000	2022 GBP'000
By material line of business:				
Direct Insurance				
Marine, aviation and transport	2,207	158	2,365	3,737
Fire and other damage to property	4,898	351	5,249	11,345
Casualty	276,074	19,777	295,851	342,819
Proportional and Non-proportional Reinsurance				
Casualty	83,824	6,005	89,829	114,654
Marine, aviation and transport	1,496	107	1,603	3,943
Property	7,375	528	7,903	4,583
Annuities stemming from non-life insurance contracts	7,755	556	8,311	8,311
Total	383,629	27,482	411,111	489,392

The Company has adopted a deterministic approach to estimating the BEL by making the following adjustments to the GAAP reserves in its financial statements:

Increase /(decrease)	2023 GBP'000	2022 GBP'000
Event Not In Data (ENID) included in Solvency II TPs	13,941	15,064
Expense Provision increase included in Solvency II TPs	15,514	18,315
Discounting at the Risk Free Rate	(115,493)	(139,141)
Risk Margin	17,859	27,482
Total Solvency II Liability Adjustments	(68,179)	(78,281)

The total of the Solvency II liability adjustments above result in the gross BEL on the Solvency II balance sheet being £68.2 million lower (£78.3 million lower) than the gross technical provisions of £465.2 million (2022: £489.4 million) in the CWIL Financial Statements.

The main risks and uncertainties associated with the technical provisions relate to the following:

- Claims provisions: there is an inherent uncertainty in estimating claims provisions for the eventual outcome of outstanding notified claims as well as estimating the value of claims yet to be reported;
- Events Not In Data (“ENID”): this is an adjustment to technical provisions which is designed to capture potential future claims that do not exist in the historical data used for GAAP reserves calculation. These claims are typically low frequency and high severity impact;
- Expense provisions: the estimation of the future costs of claims management involves uncertainty over factors such as number of claims and staff costs. The Solvency II expense provision has been determined with reference to an analysis of the 2024 business plan, and an underlying assumption that in the event of run-off, costs can be apportioned across the rest of the Catalina Group, with only essential activities maintained to support the CWIL liabilities; and
- Risk free rates: these rates are prescribed and provided by the Bank of England (“BoE”).

CWIL’s business model is to actively manage claims, including the closure of remaining claims portfolios through commutations. This results in a tendency for actual technical provisions to reduce more quickly than the BEL estimates. The investment portfolio will continue to be managed in a way that supports this approach.

D.3 Other liabilities

In the table below, the Solvency II value of each material class of liabilities other than technical provisions are set out together with the equivalent financial statements valuation:

Solvency II Classification	Solvency II Value 2023 GBP'000	Valuation Differences 2023 GBP'000	Reclassification Differences 2023 GBP'000	Financial Statements Value 2023 GBP'000	Note
Deposits from reinsurers	46,289	-	-	46,289	1
Derivative liabilities	139	-	-	139	2
Reinsurance payables	10,051	-	-	10,051	3
Payables (trade, not insurance)	2,257	-	-	2,257	3
	58,736	-	-	58,736	

Solvency II Classification	Solvency II Value 2022 GBP'000	Valuation Differences 2022 GBP'000	Reclassification Differences 2022 GBP'000	Financial Statements Value 2022 GBP'000	Note
Deposits from reinsurers	46,850	-	-	46,850	1
Derivative liabilities	521	-	-	521	2
Reinsurance payables	8,533	-	-	8,533	3
Payables (trade, not insurance)	2,087	-	-	2,087	3
Total Other Liabilities	57,991	-	-	57,991	

1. Deposits from Reinsurers

For CWIL Financial Statements purposes, deposits from reinsurers are measured at amortised cost of £46,289k (2022: £46,850k).

2. Derivatives

Derivative financial assets or liabilities are financial contracts whose fair value is determined on a market basis by reference to underlying interest rate, foreign exchange rate, equity or commodity instrument or indices. Derivative assets and liabilities are presented separately within Total Assets and Total Liabilities respectively. The valuation basis for Solvency II is consistent with the CWIL Financial Statements basis.

3. Insurance and Intermediaries Payable, Reinsurance Payables and Payables – Trade not Insurance

The valuation of these payables under Solvency II is consistent with the CWIL Financial Statements basis.

D.4 Alternative methods for valuation

Unless otherwise explained in Sections D1-D3, no other alternative methods for valuation are used.

D.5 Any other information

Not applicable.

E. Capital Management

The Company manages its capital to ensure a prudent level of own funds is available to meet the solvency requirements and enable future policyholder obligations to be met. A Capital Management Plan is prepared for CWIL annually, which forms part of the ORSA, and which demonstrates capital adequacy is expected over a three-year planning horizon.

In the 2024-2026 Capital Management Plan, the Company introduced ultimate capital targets in addition to the one-year horizons on capital. This provides additional buffer against potential capital breaches as the business continues its orderly run off.

There have been no other material changes to the objectives, policies or processes for managing own funds were made over the period. The Company was in compliance with the solvency capital requirements of the PRA throughout the year.

E.1 Own funds

Own funds represent the Company's ordinary share capital and reconciliation reserve. The Company's ordinary share capital is categorised as Tier 1 own funds, as it comprises a single class of shares which are unrestricted. Dividends can be cancelled after they have been declared, and there are no restrictions on the repayment of capital, other than being subject to ongoing regulatory approval.

As at 31 December 2023, all of the Company's own funds are categorised as Tier 1, with the exception of its net deferred tax assets which are categorised as Tier 3 own funds.

	Tier 1 2023 GBP'000	Tier 2 2023 GBP'000	Tier 3 2023 GBP'000	Total 2023 GBP'000
Basic own funds				
Ordinary share capital	158,000	-	-	158,000
Reconciliation reserve	16,835	-	-	16,835
Net deferred tax assets	-	-	8,291	8,291
Total basic own funds	174,835	-	8,291	183,126
	2022 GBP'000	2022 GBP'000	2022 GBP'000	2022 GBP'000
Basic own funds				
Ordinary Share Capital	158,000	-	-	158,000
Reconciliation Reserve	30,570	-	-	30,570
Total basic own funds	188,570	-	-	188,570

The following shows the movement in the year in Own Funds:

Reconciliation between Opening and Closing own funds	2023 GBP'000	2022 GBP'000
Opening own funds	188,570	98,698
Movement in financial statements - capital reserves	-	73,240
Movement in financial statements - retained deficit	(19,600)	(6,174)
Movement in Solvency II asset valuation differences	24,258	(58,605)
Movement in Solvency II liability valuation differences	(10,102)	81,411
Closing Own Funds	183,126	188,570

Within own funds, the reconciliation reserve represents the retained earnings and capital reserves as reported in the Company's financial statements, less valuation differences between the Company's financial statements and its Solvency II balance sheet.

The components of the reconciliation reserve as at 31 December are:

Reconciliation Reserve Components	2023	2022	Movement
	GBP'000	GBP'000	GBP'000
Capital reserve per financial statements	93,160	93,160	-
Retained deficit per financial statements	(71,738)	(52,138)	(19,600)
Solvency II asset valuation differences – refer Section D.1	(64,475)	(88,733)	24,258
Solvency II liability valuation differences – refer Section D.2	68,179	78,281	(10,102)
Net deferred tax assets classified as Tier 3 own funds	(8,291)	-	(8,291)
Total Reconciliation Reserve	16,835	30,570	(13,735)

The eligibility of own funds to cover the Solvency Capital Requirement (“SCR”) and Minimum Capital Requirement (“MCR”) depends on the tiering levels attaching to the own fund item.

As at 31 December 2023, all the relevant eligibility criteria for Tier 1 and Tier 3 own funds were met in respect of the SCR and MCR:

- Eligible tier 1 items shall be at least 50% of the SCR;
- Eligible tier 3 items shall be no more than 15% of the SCR; and
- Eligible tier 1 items shall be at least 80% of the MCR.

Tier 3 own funds are not eligible to cover the MCR.

	Tier 1	Tier 2	Tier 3	Total
	2023	2023	2023	2023
Available and eligible own funds	GBP'000	GBP'000	GBP'000	GBP'000
Total available own funds to meet the SCR	174,835	-	8,291	183,126
Total available own funds to meet the MCR	174,835	-	-	174,835
Total eligible own funds to meet the SCR	174,835	-	8,291	183,126
Total eligible own funds to meet the MCR	174,835	-	-	174,835
SCR				82,834
MCR				20,708
Ratio of Eligible own funds to SCR				221%
Ratio of Eligible own funds to MCR				844%
	Tier 1	Tier 2	Tier 3	Total
	2022	2022	2022	2022
Available and eligible own funds	GBP'000	GBP'000	GBP'000	GBP'000
Total available own funds to meet the SCR	188,570	-	-	188,570
Total available own funds to meet the MCR	188,570	-	-	188,570
Total eligible own funds to meet the SCR	188,570	-	-	188,570
Total eligible own funds to meet the MCR	188,570	-	-	188,570
SCR				84,819
MCR				21,205
Ratio of Eligible own funds to SCR				222%
Ratio of Eligible own funds to MCR				889%

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Company currently uses the Standard Formula to calculate its SCR. The table below shows the breakdown of the Company's SCR by risk module:

	2023 GBP'000	2022 GBP'000
By risk module		
Market risk	38,977	43,077
Default risk	5,826	5,748
Life risk	95	93
Non-life risk	47,566	46,147
Basic SCR before diversification	92,464	95,065
Diversification benefits	(20,802)	(21,556)
Basic SCR	71,662	73,509
Operational risk	11,172	11,310
SCR	82,834	84,819

The individual SCR risk modules are discussed in more detail in Section C.

The main drivers of the SCR are the market risk and non-life reserve risk. As such, the main diversification in calculating the SCR also arises between market risk and reserve risk.

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

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

E.4 Internal model

The Company calculates its SCR using the standard formula. No internal or partial internal model is used in the calculation of its SCR.

E.5 Non-compliance with the MCR and significant non-compliance with the SCR

There has not been any non-compliance with the SCR or the MCR over the year nor is there expected to be any non-compliance with the SCR and MCR in the business planning period.

E.6 Any other information

None.

Appendix 1: Reporting templates

The quantitative reporting templates which form part of the Annual Regulatory Templates listed below are required to be published alongside the SFCR.

S.02.01.02	Balance Sheet Information
S.05.01.02	Information on Premiums, Claims and Expenses, applying the valuation and recognition principles used in the company's financial statements.
S.05.02.01	Information on Premiums, Claims and Expenses - by Country, applying the valuation and recognition principles used in the company's financial statements.
S.12.01.02	Life and Health SLT Technical Provisions
S.17.01.02	Information on non-life technical provisions by LOB
S.19.01.21	Information on non-life insurance claims by LOB in the format of development triangles.
S.23.01.01	Information on Own funds
S.25.01.21	Information on the SCR using the Standard Formula
S.28.01.01	Minimum Capital Requirement for the Entity

CATALINA WORTHING INSURANCE LIMITED

Annex I

S.02.01.02

Balance sheet

	Solvency II value	
	C0010	
Assets	R0030	
Intangible assets	R0040	8,291
Deferred tax assets	R0050	
Pension benefit surplus	R0060	
Property, plant & equipment held for own use	R0070	335,699
Investments (other than assets held for index-linked and unit-linked contracts)	R0080	
Property (other than for own use)	R0090	
Holdings in related undertakings, including participations	R0100	17,727
Equities	R0110	
Equities - listed	R0120	17,727
Equities - unlisted	R0130	206,624
Bonds	R0140	86,532
Government Bonds	R0150	119,764
Corporate Bonds	R0160	
Structured notes	R0170	328
Collateralised securities	R0180	95,395
Collective Investments Undertakings	R0190	854
Derivatives	R0200	15,099
Deposits other than cash equivalents	R0210	
Other investments	R0220	
Assets held for index-linked and unit-linked contracts	R0230	
Loans and mortgages	R0240	
Loans on policies	R0250	
Loans and mortgages to individuals	R0260	
Other loans and mortgages	R0270	221,330
Reinsurance recoverables from:	R0280	214,883
Non-life and health similar to non-life	R0290	214,883
Non-life excluding health	R0300	
Health similar to non-life	R0310	6,447
Life and health similar to life, excluding health and index-linked and unit-linked	R0320	
Health similar to life	R0330	6,447
Life excluding health and index-linked and unit-linked	R0340	
Life index-linked and unit-linked	R0350	7,612
Deposits to cedants	R0360	2,414
Insurance and intermediaries receivables	R0370	19,056
Reinsurance receivables	R0380	32,177
Receivables (trade, not insurance)	R0390	
Own shares (held directly)	R0400	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0410	12,310
Cash and cash equivalents	R0420	
Any other assets, not elsewhere shown	R0500	638,889
Total assets		
	Solvency II value	
	C0010	
Liabilities	R0510	388,691
Technical provisions – non-life	R0520	388,691
Technical provisions – non-life (excluding health)	R0530	
TP calculated as a whole	R0540	371,207
Best Estimate	R0550	17,484
Risk margin	R0560	
Technical provisions - health (similar to non-life)	R0570	
TP calculated as a whole	R0580	
Best Estimate	R0590	
Risk margin	R0600	8,336
Technical provisions - life (excluding index-linked and unit-linked)	R0610	
Technical provisions - health (similar to life)	R0620	
TP calculated as a whole		

Annex I**S.02.01.02****Balance sheet**

Best Estimate
Risk margin
Technical provisions – life (excluding health and index-linked and unit-linked)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions – index-linked and unit-linked
TP calculated as a whole
Best Estimate
Risk margin
Contingent liabilities
Provisions other than technical provisions
Pension benefit obligations
Deposits from reinsurers
Deferred tax liabilities
Derivatives
Debts owed to credit institutions
Financial liabilities other than debts owed to credit institutions
Insurance & intermediaries payables
Reinsurance payables
Payables (trade, not insurance)
Subordinated liabilities
Subordinated liabilities not in BOF
Subordinated liabilities in BOF
Any other liabilities, not elsewhere shown
Total liabilities
Excess of assets over liabilities

R0630	
R0640	
R0650	8,336
R0660	
R0670	7,961
R0680	375
R0690	
R0700	
R0710	
R0720	
R0740	
R0750	
R0760	
R0770	46,289
R0780	
R0790	139
R0800	
R0810	
R0820	
R0830	10,051
R0840	2,257
R0850	
R0860	
R0870	
R0880	
R0900	455,764
R1000	183,126

CATALINA WORTHING INSURANCE LIMITED
Annex I
S.05.01.02
Premiums, claims and expenses by line of business

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for:				Total	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property		
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160		C0200
Premiums written																		
Gross - Direct Business	R0110																	
Gross - Proportional reinsurance accepted	R0120																	
Gross - Non-proportional reinsurance accepted	R0130																	
Reinsurers' share	R0140												16	20	53		89	
Net	R0200												8	11	29		48	
Premiums earned													7	9	25		41	
Gross - Direct Business	R0210																	
Gross - Proportional reinsurance accepted	R0220																	
Gross - Non-proportional reinsurance accepted	R0230												16	20	53		89	
Reinsurers' share	R0240												8	11	29		48	
Net	R0300												7	9	25		41	
Claims incurred																		
Gross - Direct Business	R0310					1,834	1,079	26,293										29,206
Gross - Proportional reinsurance accepted	R0320																	
Gross - Non-proportional reinsurance accepted	R0330													4,389	-298	2,496		6,588
Reinsurers' share	R0340					472	178	6,371					3,965	19	2,180		13,184	
Net	R0400					1,362	902	19,921					425	-316	316		22,610	
Changes in other technical provisions																		
Gross - Direct Business	R0410																	
Gross - Proportional reinsurance accepted	R0420																	
Gross - Non-proportional reinsurance accepted	R0430																	
Reinsurers' share	R0440																	
Net	R0500																	
Expenses incurred	R0550					117	201	8,766					2,657	28	842		12,611	
Other expenses	R1200																	
Total expenses	R1300																	

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

	Line of Business for: life insurance obligations						Life reinsurance obligations		Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuitants stemming from non-life insurance contracts and relating to insurance obligations other than annuities	Health reinsurance	Life-reinsurance	
	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	
Premiums written									
Gross	R1410								
Reinsurers' share	R1420								
Net	R1500								
Premiums earned									
Gross	R1510								
Reinsurers' share	R1520								
Net	R1600								
Claims incurred									
Gross	R1610					-961			-961
Reinsurers' share	R1620					-621			-621
Net	R1700					-340			-340
Changes in other technical provisions									
Gross	R1710								
Reinsurers' share	R1720								
Net	R1800								
Expenses incurred	R1900					171			171
Other expenses	R2500								
Total expenses	R2600								

CATALINA WORTHING INSURANCE LIMITED
Annex I
S.12.01.02
Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	Contracts without options and guarantees C0040	Contracts with options or guarantees C0050	Contracts without options and guarantees C0060				Contracts with options or guarantees C0070	Contracts with options or guarantees C0080	C0090			
Technical provisions calculated as a whole	R0010														
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020														
Technical provisions calculated as a sum of BE and RM															
Best Estimate															
Gross Best Estimate															
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0030						7,961		7,961						
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0080						6,447		6,447						
Risk Margin	R0090						1,515		1,515						
Amount of the transitional on Technical Provisions	R0100						375		375						
Technical Provisions calculated as a whole	R0110														
Best estimate	R0120														
Risk margin	R0130														
Technical provisions - total	R0200						8,336		8,336						

CATALINA WORTHING INSURANCE LIMITED

Annex I

S.19.01.21

Non-life Insurance Claims Information

Total Non-Life Business

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

(absolute amount)

Year	Development year											In Current year	Sum of years (cumulative)		
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110			C0170	C0180
Prior	R0100											45,181	R0100	45,181	45,181
2013	R0160												R0160		
2014	R0170												R0170		
2015	R0180												R0180		
2016	R0190												R0190		
2017	R0200												R0200		
2018	R0210												R0210		
2019	R0220												R0220		
2020	R0230												R0230		
2021	R0240												R0240		
2022	R0250												R0250		
											Total	R0260	45,181	45,181	

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year	Development year											Year end (discounted data)		
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360	
Prior	R0100											486,784	R0100	371,207
2013	R0160												R0160	
2014	R0170												R0170	
2015	R0180												R0180	
2016	R0190												R0190	
2017	R0200												R0200	
2018	R0210												R0210	
2019	R0220												R0220	
2020	R0230												R0230	
2021	R0240												R0240	
2022	R0250												R0250	
											Total	R0260	371,207	

CATALINA WORTHING INSURANCE LIMITED

Annex I

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

Market risk
 Counterparty default risk
 Life underwriting risk
 Health underwriting risk
 Non-life underwriting risk
 Diversification
 Intangible asset risk
Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

Operational risk
 Loss-absorbing capacity of technical provisions
 Loss-absorbing capacity of deferred taxes
 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement

Other information on SCR

Capital requirement for duration-based equity risk sub-module
 Total amount of Notional Solvency Capital Requirement for remaining part
 Total amount of Notional Solvency Capital Requirements for ring fenced funds
 Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios
 Diversification effects due to RFF nSCR aggregation for article 304

Approach to tax rate

Approach based on average tax rate

Calculation of loss absorbing capacity of deferred taxes

LAC DT
 LAC DT justified by reversion of deferred tax liabilities
 LAC DT justified by reference to probable future taxable economic profit
 LAC DT justified by carry back, current year
 LAC DT justified by carry back, future years
 Maximum LAC DT

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010	38,977		
R0020	5,826		
R0030	95		
R0040			
R0050	47,566		
R0060	-20,801		
R0070			
R0100	71,662		
	C0100		
R0130	11,172		
R0140			
R0150			
R0160			
R0200	82,834		
R0210			
R0220	82,834		
R0400			
R0410			
R0420			
R0430			
R0440			
	Yes/No		
	C0109		
R0590			
	LAC DT		
	C0130		
R0640			
R0650			
R0660			
R0670			
R0680			
R0690			

CATALINA WORTHING INSURANCE LIMITED

Annex I

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

	C0010
MCR _{NL} Result	17,788

	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	
	R0030	
	R0040	
	R0050	
Medical expense insurance and proportional reinsurance	1,400	
Income protection insurance and proportional reinsurance		
Workers' compensation insurance and proportional reinsurance		
Motor vehicle liability insurance and proportional reinsurance		
Other motor insurance and proportional reinsurance		
Marine, aviation and transport insurance and proportional reinsurance	959	
Fire and other damage to property insurance and proportional reinsurance	1,332	
General liability insurance and proportional reinsurance	131,955	
Credit and suretyship insurance and proportional reinsurance	10	
Legal expenses insurance and proportional reinsurance		
Assistance and proportional reinsurance		
Miscellaneous financial loss insurance and proportional reinsurance		
Non-proportional health reinsurance		
Non-proportional casualty reinsurance	18,845	7
Non-proportional marine, aviation and transport reinsurance		9
Non-proportional property reinsurance	1,828	25
	R0170	

Linear formula component for life insurance and reinsurance obligations

	C0040
MCR _L Result	32

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0050	C0060
	R0210	
	R0220	
	R0230	
	R0240	
Obligations with profit participation - guaranteed benefits		
Obligations with profit participation - future discretionary benefits		
Index-linked and unit-linked insurance obligations		
Other life (re)insurance and health (re)insurance obligations	1,515	
Total capital at risk for all life (re)insurance obligations		
	R0250	

Overall MCR calculation

	C0070
Linear MCR	17,819
SCR	82,834
MCR cap	37,275
MCR floor	20,708
Combined MCR	20,708
Absolute floor of the MCR	3,495
	C0070
Minimum Capital Requirement	R0400
	20,708