Irwell
INSURANCE COMPANY LIMITED

Irwell Insurance Company Limited

Solvency and Financial Condition Report

As at 31 March 2023

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Executive Summary

The purpose of this Solvency and Financial Condition Report (SFCR) is to provide information required by the Solvency II regulatory framework in respect of Irwell Insurance Company Limited (Irwell) for the year ended 31 March 2023. This report contains qualitative and quantitative information on Irwell's business and performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management. The SFCR has been prepared in accordance with the relevant PRA Rules and Solvency II regulations.

Business and Performance

Irwell continued to deploy its growth strategy in the year to 31 March 2023 by maintaining its strong relationships with its traditional business through the subsidiaries of the Peninsula Business Services Group Limited (PBSG). The PBSG subsidiary intermediaries specialise in employment, health & safety and taxation risks. During the FY22 year, Irwell began writing additional lines of business and this has successfully continued into FY23 where Irwell is now operating with 14 intermediaries external to the PBSG. The Solvency II lines of business written are legal expenses and general liability. All business written during the year was written in the UK. Irwell has a licence to write miscellaneous financial loss, however, due to volatile market conditions the Company has not yet started writing this business but anticipates doing so in FY24.

Premiums earned net of reinsurance increased by 10.9% to £25.6m compared to £23.1m in FY22. The growth originated from premiums written external to the PBSG which is consistent and congruent with Irwells business plan and strategy.

Further to the success of Irwell, the company made a statutory underwriting profit at the technical account level of £4.4m compared to £2.9m in the previous year. The company continues to focus on expanding the intermediaries it is working with whilst maintaining the excellent relationships with existing partners as it moves into the third year of its ambitious business plan from April 2023.

Irwell's investments generated a loss of £0.1m (including investment expenses of £143k) in the year to 31 March 2023 compared with a loss of £1.2m in the previous year. The investment strategy continues to be cautious and risk averse, however uncertainty remained within the financial markets in FY23. Originating from a period of rising inflation with central banks raising interest rates to slow the economy combined with geopolitical factors such as the Ukraine conflict and rising tensions between the USA and China. There is also a level of overhang from the COVID-19 pandemic however supply chain issues appear to be diminishing now. These factors combined resulted in heightened economic uncertainty that has disrupted the performance of the bond market. Management is confident that a period of economic stability will enable the portfolio to operate under less uncertainty with more favourable results.

A dividend of £NIL was declared and paid during the year ended 31 March 2023 (2022: £1.5m).

System of governance

Irwell is confident in the robustness of its governance procedures, considering them to be both appropriate and proportionate. Outsourced actuarial and internal audit teams support the governance systems and framework and provide a robust system of checks and balances.

The Board meets at least quarterly, with ad hoc Board meetings scheduled as required. The Board members are provided with appropriate and timely information to enable them to review the Company's business strategy, operations, trading performance, regulatory compliance and risk management. The Board is supported by three board committees, the Audit Committee (AC), the Risk Committee (RC) and the Remuneration Committee. Additional, non-board committees include the Executive Committee (EC) and Underwriting Committee (UC).

Irwell's key functions are risk management, compliance, actuarial, internal audit, outsourcing and investment management. These functions are responsible for providing oversight of the relevant area and assurance to the Board on the operation of the Company's risk management framework. Responsibility for each key function is assigned to one or more board members, the AC or the RC.

Irwell has established clear roles and responsibilities for risk management, operating on a model with three lines of defence. Each has clear reporting lines to the Board to ensure that information relating to risk matters is appropriately communicated. Key changes to the management structure were implemented through FY22 and FY23, in line with the business plan and strategy as Irwell looks to grow the business with income external to the PBSG. These changes to the structure have been reflected in the updated governance framework and include bringing in team members experienced in insurance underwriting and claims to take up key roles in the Company and provide an informed perspective on new business.

Irwell's Own Risk and Solvency Assessment (ORSA) process is an integral part of its risk management system. Responsibility lies with the executive directors for creating the ORSA and considering all areas of risk, and they are assisted by the detailed oversight and challenge performed by the RC. The Board is ultimately responsible for accepting and signing off the ORSA and ensuring its completeness.

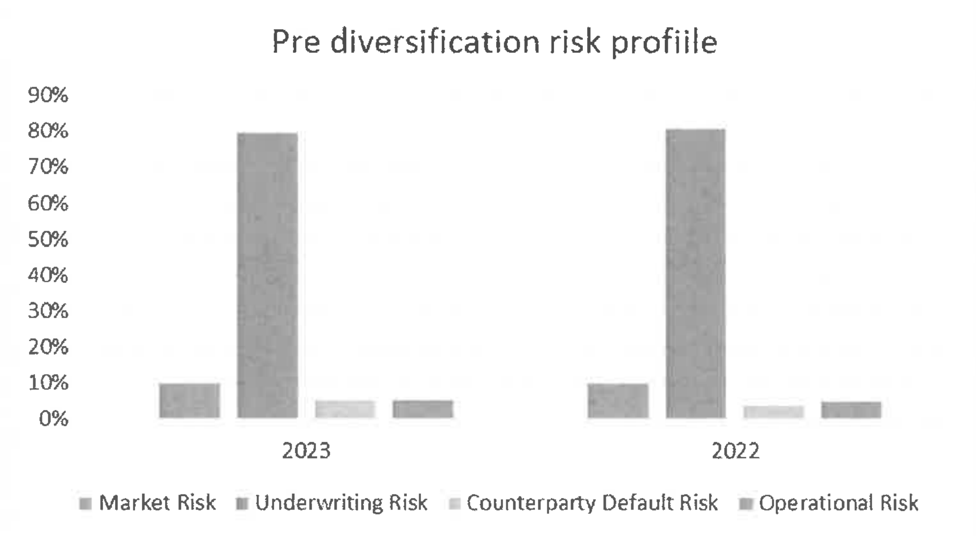
Further details of Irwell's system of governance are included in section B of this report.

Risk profile

Irwell calculates its Solvency Capital Requirement (SCR) using the Standard Formula. For Irwell, this calculation is based on four risk categories, being non-life underwriting risk, market risk, credit risk and operational risk.

The types of risk to which the company is exposed have not changed significantly over the year. Risk identification is carried out on a regular basis through the Company's RC, based on a combination of internal and external factors, and the Company's risk documentation is updated as necessary. Material risk exposures are mitigated though a combination of internal controls and capital allocations.

The chart below shows the composition of Irwell's undiversified SCR as at 31 March 2023 together with a comparison with the prior year:



Underwriting risk

Underwriting risk includes premium and reserving risk, lapse risk and catastrophe risk and represents the most significant risk that Irwell is exposed to, comprising 79% (2022: 81%) of the Company's total undiversified risk profile. The graph above shows that the risk profile weighting remains consistent with FY22 whilst Irwell gained momentum with from the writing of new business during the FY23 year.

Market risk

Market risk includes interest rate risk, spread risk and concentration risk and is the second most significant risk type for Irwell. The undiversified SCR for market risk has remained consistent with the prior year accommodating 10% of the overall risk profile in both periods.

Irwell's investment strategy is focused on capital preservation and ensuring sufficient liquidity to meet claims and expenses on an ongoing basis. As a result, Irwell has a low risk, well diversified portfolio of investment assets which is fully compliant with the prudent person principle.

Counterparty default risk

Counterparty default risk (CDR) is the risk that a counterparty will be unable to pay amounts in full when due. Irwell can be exposed to CDR mainly in relation to overdue premium receivables (type 2 counterparties) and in respect of deposits with banks (type 1 counterparties). Reinsurance was purchased during the year as a risk mitigation tool against claims of high severity. Therefore, CDR relating to amounts due from reinsurers is within scope, however at both year ends where there has been a reinsurance programme in place (FY23 / FY22) no claims have gone over the retention amounts and therefore no CDR balances relating to reinsurers have been required.

As at 31 March 2023, CDR risk comprised 5% of the Company's undiversified SCR (2022: 4%).

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. As at 31 March 2023, operational risk comprised 5% of the Company's undiversified SCR (2022: 5%).

Further details of Irwell's risk profile are set out in section C of this report.

Valuation for solvency

Assets, technical provisions and other liabilities are valued for solvency purposes according to the Solvency II Directive and related guidance. The principle that underlies the valuation methodology for Solvency II purposes is the amount for which assets and liabilities could be exchanged, transferred or settled by knowledgeable and willing third parties in an arm's length transaction.

The following table sets out the differences between the solvency valuation and the valuation in the financial statements:

	2023	**2022**
	£'000	**£'000**
Shareholders' equity per the financial statements	32,156	28,607
Solvency adjustments and reallocations - assets	(15,851)	(13,989)
Solvency adjustments and reallocations – technical provisions	10,059	8,618
Solvency adjustments and reallocations – other liabilities	6,461	6,303
Total own funds on a Solvency II basis	**32,825**	**29,539**

Valuation adjustments to assets relate principally to the removal of deferred acquisition costs, which are not recognised as an asset for solvency purposes, and insurance receivables, which are netted off technical provisions in the Solvency II balance sheet.

Valuation adjustments to technical provisions reflect the Solvency II requirement for technical provisions to be a best estimate of liabilities relating to insurance contracts plus a risk margin. Best estimate liabilities are calculated as the discounted best estimate of all future cash flows relating to both claim events prior to the valuation date and future exposures arising from policies that the insurer is obligated to at the valuation date.

Valuation adjustments to other liabilities comprise the removal of insurance payables which are netted off technical provisions in the Solvency II balance sheet.

Further details of Irwell's valuation of assets and liabilities for solvency purposes are set out in section D of this report.

Capital management

Under Solvency II, insurance companies at a minimum are required to always hold eligible own funds at least equal to the SCR. In order to ensure continuous compliance with the regulatory capital and solvency position, the objective of the Company is to maintain own funds with a buffer over the SCR of at least 50%, or in other words, the company has a risk appetite of 150% from a SCR perspective.

The Company's SCR as at 31 March 2023 was £12,664k (2022: £12,851k). This is covered by £32,825k (2022: £29,539k) of eligible capital resources, giving a Solvency II surplus of £20,161k (2022: £16,688k) and a capital ratio of 259% (2022: 230%). It is not expected that any reasonable and plausible stresses applied against Irwell's solvency position would cause the ratio to drop below required levels.

Further details of Irwell's capital management are set out in section E of this report.

J Atherton 7 July 2023

Chief Financial Officer

A. Business and Performance

A.1 Business

Name and legal form of the undertaking

Irwell Insurance Company Limited (Irwell) is a private company limited by shares. The Company operates from a single office, the address of which is:

2 Cheetham Hill Road, Manchester, M4 4FB

This is also the registered office of the Company.

The Company has no related undertakings or branches.

Regulator

The Company is regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). The PRA is responsible for the financial supervision of insurance companies and is therefore the supervisor for the purposes of Solvency II regulation. The address of the PRA is:

20 Moorgate

London EC2R 6DA

External auditors

The external auditors are:

PKF Littlejohn LLP

3rd Floor, One Park Row, Leeds, LS1 5HN

Ownership

The Company has two shareholders. The controlling party are the trustees of the Fred Done 1998 Children's Life Interest Settlement, a trust fund set up by F. Done into which has been placed 2,638,296 shares (65.96%). The beneficiaries are the children of F. Done. The other shareholder is P. Done, who holds 1,361,704 shares in the Company (34.04%).

Material Lines of Business and Geographical Areas

The principal activity of the Company is the transaction of general insurance business. Throughout the year ended 31 March 2023, the majority of business continued to be written through companies in PBSG acting as intermediaries, being Peninsula Business Services Limited ('PBS'), Croner Group Limited ('CG'), Croner-I Limited (formerly Croner Taxwise Limited) ('CIL') and Bright HR Limited ('BHR'). The business written through PBS, CG and BHR provides indemnity against awards and costs relating to employment tribunal claims and legal costs relating to potential breaches of Health and Safety legislation and that written through CIL provides indemnity against professional fees relating to HM Revenue & Customs investigations. During the year, Irwell continued with its business strategy of underwriting premiums external to PBSG. These products included: Commercial LEI, Guarantors Liability and Standalone Liability products through several new intermediary relationships. The Commercial LEI business provides protection to businesses for legal expenses incurred in relation qualifying legal challenges. Guarantors Liability is a product designed to protect

A. Business and Performance (continued)

guarantors against default of rent by the tenant. The Standalone Liability product is a combination of Employers, Public and Products Liability sold through third party intermediaries and brokers to businesses.

Until 2021, approximately 4% of business came from the Republic of Ireland. From 1st January 2021, Irwell ceased to write new business in ROI and is not licensed to write business in any EU country following Brexit. As at 31 March 2023, all existing ROI policies have been run off, and all remaining ROI claims are being handled and reported to the Central Bank of Ireland under the temporary run-off regime.

Significant business or external events in the year

COVID-19

On 11 March 2020, the World Health Organization declared the outbreak of a global pandemic, COVID-19. Since then, the actions of governments worldwide has been to try and reduce the spread of the virus and manage the impact on both the national and global economy. The PRA confirmed that it deemed the pandemic to be a significant event, and therefore the impact of COVID-19 has been continually monitored and reviewed by the Irwell Board:

The COVID-19 pandemic has had little impact on the premium volumes since the pandemic began and the existing lines of business written through the Peninsula group of businesses were not significantly affected indicating the resilience of the core business activities.

The impact of the pandemic on claims, both opened in the period and relating to incidents occurring during the period will continue to be reviewed for any indicative long-term change in average value or incidence rate.

Other Economic Uncertainties

At the beginning of 2022, conflict arose between Ukraine and Russia which impacted global financial markets. The conflict continues to persist at the time of writing with no signs of abatement or resolution. This event resulted in shortages of gas and oil supplies and an upwards movement in wholesale energy prices, creating a cost push inflationary environment which has been absent for many years. This inflationary pressure has been a core focus for central banks which have responded with monetary policy measures ultimately resulting in heightened interest rates in an attempt to cool down consumer spending and bring inflation back to targets set by central governments. The political environment in the UK, as a result of changes to the Prime Minister, also created significant volatility in the UK financial markets, though this issue has now dissipated and stability has returned.

All the above factors have led to volatility in the bond/gilt markets and equity markets during 2022/2023 resulting in an environment of economic uncertainty at the year end. Currently, there is no impact on the underwriting performance of Irwells products, however due to the volatility in the financial markets, this has manifested itself in a low return on investments. The management team have been proactive in working closely with the investment advisors throughout the period and will continue to monitor the environment closely over the coming months.

A. Business and Performance (continued)

A.2 Underwriting Performance

Underwriting performance

The following table summarises the underwriting performance of the Company:

	Legal expenses	*General liability*	*Total*
	£000	*£000*	*£000*
2023			
Gross premiums written			
- UK	20,440	7,349	27,789
- Ireland	-	-	-
	20,440	**7,349**	**27,789**
Premiums earned net of RI	20,441	4,844	25,285
Gross claims incurred	6,309	1,066	7,375
Net operating expenses	11,066	2,642	13,708
Underwriting profit	**3,066**	**1,137**	**4,202**
Loss ratio	**30.86%**	**22.00%**	**29.17%**
Operational expense ratio	**54.14%**	**54.54%**	**54.21%**
Combined ratio	**85.00%**	**76.54%**	**83.38%**
2022			
Gross premiums written			
- UK	19,310	5,093	24,403
- Ireland	-	-	-
	19,310	**5,093**	**24,403**
Premiums earned net of RI	18,797	4,280	23,077
Gross claims incurred	4,457	4,116	8,573
Net operating expenses	9,835	842	10,677
Underwriting profit	**4,505**	**(678)**	**3,827**
Loss ratio	**23.71%**	**96.17%**	**37.15%**
Operational expense ratio	**52.32%**	**19.67%**	**46.27%**
Combined ratio	**76.03%**	**115.84%**	**83.42%**

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A. Business and Performance (continued)

Net operating expenses are analysed as follows:

	Legal expenses	*General liability*	*Total*
	£000	*£000*	*£000*
2023			
Acquisition costs	6,009	763	6,772
Administrative expenses	1,743	627	2,370
Profit commission	3,314	1,252	4,566
Net operating expenses	**11,066**	**842**	**13,708**
2022			
Acquisition costs	5,852	305	6,157
Administrative expenses	1,426	226	1,652
Profit commission	2,557	311	2,868
Net operating expenses	**9,835**	**842**	**10,677**

Gross premiums written have increased by 13.8% year on year, due to the increase in income derived from the new lines of business written. Premiums earned net of reinsurance increased by 9.6% over prior year, due primarily to the steady increases in premiums written through 2023 resulting in increased deferred income relating to future periods.

The overall loss ratio of 29.2% has improved from prior year's 37.1%. The underlying driver of this improvement relates to the removal of cross charges of £1k, per relevant case, to PBSG for claims support. This in turn creates a higher profit base for profit commissions which amounted to £4,566k in FY23 against £2,868k for FY22.

The Liability (employment tribunal awards) business recovered from the large losses recorded in FY22 to a more sustainable and profitable segment of the Irwell book, improving the loss ratio to 22% from the 96.2% achieved in FY22. Whilst the Board consider FY22 claims experience as an exceptional year, management monitor and review trends to ensure the year was isolated and it is not anticipated that there will be a shift in the average cost or volume of claims.

The overall combined ratio was 83.4% in FY23 against 83.4% in FY22, indicating that the new business being written by Irwell, has not been sufficient to materially distort the underlying business model and is indeed complementary to the business strategy and plan.

Irwell made an underwriting profit before profit commission in the year to 31 March 2023 of £8,768k compared to £6,695k in 2022. As a result, profit commission of £4,566k was payable for the year, compared to £2,868k in FY22.

Reinsurance

Prior to FY22, the Company did not have a requirement for reinsurance as the catastrophe risk is deemed to be very low in relation to the lines of business being written through the PBSG. During FY22 the Standalone Liability product was introduced, with a limit of indemnity of up to £10m per claim. This was deemed to be too great a risk for the business to manage independently. Therefore, excess of loss reinsurance was purchased for the standalone liability product to both reduce Irwell's exposure to large claims and to offset, in part, the additional SCR requirements within the underwriting module.

A.3 Investment Performance

Overall investment performance

Irwell's investment portfolio at March 2023 was managed by Bank J Safra Sarasin (Gibraltar) Limited (JSS), at the beginning of April 2023 Irwell engaged with investment managers LGT whom have taken the support role of investment advisors and managers. The Company's outsourced investment managers operate under Irwell's approved investment policy, maintaining a cautious investment strategy with a portfolio predominantly comprised of short and intermediate dated bonds. The policy also mandates strict requirements regarding investment type, grade and counterparty exposure limits.

At 31 March 2023, the Company's investment portfolio and cash comprised the following:

	31 March 2023		*31 March 2022*	
	£000	*% of total*	*£000*	*% of total*
Government bonds	623	1.2%	298	0.6%
Corporate bonds	39,003	73.1%	37,036	76.1%
Cash and cash equivalents	13,745	25.7%	11,327	23.3%
Total	**53,371**	**100%**	**48,661**	**100%**

Amounts are shown are inclusive of accrued income.

The Company has no investments in securitisations.

Exchange traded derivatives are approved for hedging purposes only, where such instruments can be shown to improve the quality, profitability, liquidity or security of the portfolio. Irwell had no derivative transactions in FY23 and these instruments are unlikely to be used in the foreseeable future.

The investment return for the year ended 31 March 2023 was as follows:

	March 23	*March 22*
	£000	*£000*
Income received	1,187	990
Net losses on realisation of investments	(553)	(439)
Net unrealised losses on investments	(615)	(1,592)
Investment return before expenses	**18**	**(1,041)**
Investment expenses	(143)	(155)
Total investment return	**(125)**	**(1,196)**

As discussed under "Significant business or external events in the year" within section A1, the rising of interest rates has impacted on the Companies portfolio valuation which comprises a high proportion of short term fixed income instruments. As a result of the rising interest rates the portfolio took a reduction in value during the year ending March 2023 as detailed in the table above.

Irwell has a low-risk appetite for its investment portfolio, and as such the credit quality of the bond portfolio is strong. At yearend, the assets in the portfolio and with NatWest attracted the following rating breakdown: AAAs 5.5%, AAs 29.7%, As 54.2%, BBBs 9.9% and one asset with withdrawn status accounting for 0.7%. The asset with withdrawn status relates to a bond held with Gazprom which was acquired before the Ukraine crisis and is due to be redeemed on 6th April 2024. The carrying value of this asset as at March 2023 was £388k with a redemption value of £525k, the bond is domiciled in Luxemburg and management are confident of receiving the full nominal value once due. The portfolio is well diversified both regionally and from a sector point of view. Individual exposure to any single issuer is limited to 5% for A rated issuers and above and to 1.5% to BBB-rated issuers. The modified duration of the portfolio is purposefully low at 2.23 years, with most investments held in the 1-to-3 year maturity bucket. The focus on holding shorter duration instruments has reduced the exposure to revaluation losses whilst interest rates have been rising.

Although there remains an element of uncertainty in the market due to the ongoing Ukraine crisis and heightened inflation. Irwell's cautious investment strategy by its very nature reduces the company's exposure to market risk. The company's ORSA document applies stressed scenarios to its future projections, which shows the strength and resilience of plausible shocks against the capital held.

A4. Performance of other activities

Irwell has no leasing arrangements.
There are no other income streams other than those mentioned in A.2 and A.3 above.

A.5 Any other information

There is no material information regarding Irwell's business and performance to be disclosed other than as detailed in A.1-4 above.

B.1 General information on the system of governance

General governance arrangements

Board

The Board has ultimate responsibility for organising and controlling the Company's business. Its principal functions are to determine the Company's risk appetite and business strategy, to have oversight of the Company's operations and performance and regulatory compliance and to ensure that the Company has an effective risk management process. The Board normally meets four times a year.

Board committees

The Board uses a number of board committees to assist it in performing its oversight functions, as follows:

Audit committee (AC)

The Board formally delegates responsibility for audit matters to the AC. The committee meets at least four times a year. Its terms of reference cover the following principal areas:

- review and monitoring of the internal and external audit processes;
- monitoring the financial reporting process;
- monitoring the outsourced actuarial function;
- monitoring the outsourced investment management function;
- review and approval of the 3-year business plan;
- review and documentation of the Company's governance arrangements;
- review of the company's internal controls.

Risk committee (RC)

The RC provides support and advice on risk related matters. The committee meets at least four times a year. Its terms of reference cover the following principal areas:

- oversight of the company's risk management systems including the identification and management of key risks and emerging issues;
- developing proposals regarding the Company's risk appetite for review and approval by the Board;
- oversight of the development of the annual Own Risk and Solvency Assessment (ORSA) and review and approval of the ORSA for submission to the Board;
- oversight of the compliance function and review of compliance reports;
- periodic review of the Company's outsourcing policy;
- review of whistleblowing procedures.

Remuneration committee

The remuneration committee has responsibility for overseeing the development and implementation of the Company's remuneration policies.

Executive management

Day to day management of the business is in the hands of the executive management team, which is responsible for risk management, compliance, underwriting policy, claims review and approval, claims reserving, investment management and finance and administration.

The executive management team comprises three executive directors, being the CEO, the CFO and the CRO. The business has senior managers to support the executive directors in other areas of the operations including a Claims Manager and a Senior Underwriter.

Investment management during the reporting year, along with custodial services, continued to be provided by JSS, operating under an investment policy approved by the Board. Executive management is responsible for the regular monitoring of investment performance and adherence to the agreed policy.

The Company uses contractors or consultants as appropriate to provide investment management services, actuarial services, internal audit services and IT management.

Key functions

Irwell has established the four key functions required by the Solvency II directive. These are:

- Risk management
- Compliance
- Actuarial
- Internal Audit

In addition, the following functions have been classed as key to Irwell's operations:

- Outsourcing
- Investment management

These functions are responsible for providing oversight of the relevant area and assurance to the Board on the operation of the Company's risk management framework. All functions are overseen by one or more executive directors, the AC or the RC, thus ensuing they have the appropriate authority to perform their roles.

Risk management

The key function holder is the Chief Risk Officer (CRO). The RC provides oversight as to the reasonableness, proportionality and effectiveness of the Company's prudential risk management, regulatory compliance and internal control systems.

The Irwell Board has ultimate responsibility for risk management and the function therefore has the required authority to fulfil its role.

Compliance

The CRO performs the function of Compliance Officer and is responsible for both day-to-day compliance monitoring and regular reporting to the Board on compliance related matters. The compliance functions of the outsourced intermediaries are subject to periodic review by internal audit.

The RC considers and approves the compliance monitoring programme for the forthcoming year annually.

The compliance function formally reports to the RC on a quarterly basis and to the Board on a six-monthly basis.

B. Systems of Governance (continued)

Actuarial

The Actuarial Function has specific duties and responsibilities under Solvency II. Irwell outsources Actuarial Function holder support to Barnett Waddingham LLP who also hold the associated regulatory SMF20 responsibilities with support from the CFO. The outsourcing arrangement ensures that the Actuarial Function is operationally independent.

The Actuarial Function Report is prepared by Barnett Waddingham LLP and presented to the Board at least annually.

Internal audit

Irwell's Internal Audit function is overseen by the AC. Internal Audit is responsible for evaluating the approach to risk management and governance, with particular emphasis on the internal control system.

Irwell outsources the Internal Audit function to Mazars LLP, who have the skills, knowledge and expertise to provide the services and are entirely independent from operational aspects of the business.

The Internal Audit function is authorised to review all areas of the Company and its business and it therefore entitled to have full and unrestricted access to all information, records, property, personnel and activities. Board members have a duty to make all requested information available promptly and to assist with any enquiries.

The AC approves the internal audit plan, taking advice on known and potential risks. In addition, the AC receives and reviews the reports produced by Internal Audit.

Outsourcing

Irwell operates a business model whereby several services provided to the Company are outsourced. Therefore, an important function of executive management is the control and regular monitoring of these outsourced functions. The executive management team is collectively responsible for this oversight. In support of this activity, the Company has a comprehensive, documented outsourcing policy, covering scoping, selection, governance, regulatory compliance, performance management and data and information requirements. All intermediaries are regulated by the FCA and provide Irwell with regular compliance reports.

The CEO has overall ownership of the outsourcing policy, which is reviewed and approved by the RC at least once a year. Ultimate responsibility for the outsourcing of key functions and activities lies with the Irwell Board.

Investment management

The investment management service is outsourced to independent investment managers who operate under an investment strategy approved by the board. Executive management is responsible for the regular monitoring of investment performance and adherence to the agreed strategy and provides a quarterly report to the Board.
During the year to 31 March 2023, the Board conducted a review of investment managers. The review was concluded with the directive to exit the service provided by Bank J Safra Sarasin (Gibraltar) Limited (JSS) on the 1 April 2023 and to migrate to LGT Wealth Management after meeting with a panel of potential suitors.

Material changes
Other than those mentioned above, the business does not consider there to be any material changes to note.

Remuneration policy
Irwell has a Remuneration Committee that is responsible for reviewing the salary frameworks of employees. and meets yearly to approve the salaries of all staff and the executive directors. The Remuneration Committee ensures that all salary frameworks are appropriate, and do not encourage the unfair treatment of customers through performance-based remuneration and other incentives.

Related party transactions
F. Done and P. E. Done are the ultimate controllers of the Company. P.E. Done is a non-executive director of the Company and F. Done was a non-executive director of the Company until his resignation from the board in December 2021. Throughout the year they also owned a controlling interest in PBSG which is the parent of Peninsula Business Services Limited, a company of which P. E. Done is also a director. Throughout the year ended 31 March 2023, Irwell wrote most of its business for the clients of PBSG and its subsidiary companies. Therefore, the majority of premiums received and claim payments are made via PBSG and its subsidiary companies. Cash settlement is made within 30 days of each month end. Premiums written amounted to £23,560k (2022: £23,480k), total commission payable by the Company totalled £6,197k (2022: £6,164k) of which £5,661 (2022: £1,937k) was owed at the year-end. The PBSG subsidiaries generated claims incurred to Irwell of £6,066k (2022: £8,138k) in the year.

B.2 Fit and proper requirements

So as to enable sound and prudent management of the Company, a policy is in place to ensure that persons appointed to manage the Company's business activities are fit and proper. As part of that policy, an assessment is made prior to appointment to a role to ensure that the individual has both the appropriate knowledge and skills through their professional qualifications and/or experience, and is of good repute and integrity. This assessment takes place prior to appointment to a role and is reviewed periodically thereafter by the Board.

Executive management of the Company collectively possess competence, experience and knowledge in and not limited to the following areas:

- Insurance and financial markets
- Business strategy
- Systems of governance
- Financial and actuarial analysis
- Risk management
- Regulatory requirements

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

Risk Management

Irwell has in place a Corporate Governance Framework which incorporates the Company's risk management policy. This framework sets out the principles for managing risk within Irwell and describes the risk management roles and responsibilities of individuals, and the Board and its committees. The Corporate Governance Framework is reviewed and updated as necessary on a regular basis in the light of changes to the Company's risk profile, external risk factors and developments in best practice.

Irwell has implemented a robust model for risk management with three main lines of defence, as follows:

First line of defence
The first line of defence owns and manages risk on a day-to-day basis. For Irwell, this consists of the executive management team, the operational functions together with its intermediaries, to whom underwriting is outsourced, and the outsourced actuarial function. All share responsibility for risk management at the operational level.

Second line of defence
The second line of defence provides the oversight and advice necessary to support the first line of defence in identifying, managing and monitoring risk. For Irwell, this comprises the Risk Management and Compliance functions. The Risk Committee has responsibility for the risk and compliance management on a day-to-day basis, and further information on the Compliance Function is given in B4 below.

Third line of defence
The third line of defence provides independent assurance that risk management and the internal control system are working as designed. For Irwell, this comprises the Internal Audit function. Further information on the Internal Audit Function is given in B5 below.

The CRO is responsible for the day-to-day operation of Irwell's risk management processes and the production of management information that allows for timely and relevant decision making on risk related matters. The CRO is also responsible for the on-going maintenance of the risk register. The risk register identifies all material risks the Company faces in relation to the implementation of its strategic objectives and details of mitigating actions in place for all risks identified.

The intermediaries supply management information to an agreed timetable to support the process, including:

- Underwriting and claims data;
- TCF MI including insurance complaints, and
- Operational compliance monitoring.

The RC has oversight of the Company's risk process and is responsible for advising the Board on risk issues, including the Company's risk appetite and risk strategy. In performing this function, the RC considers risk reports and other management information. The RC also undertakes regular reviews of the risk register, and reviews it formally at least annually, and makes recommendations regarding additions/modifications to the register as appropriate. The Board has ultimate responsibility for risk related issues.

ORSA process
The CRO is responsible for all aspects of the process for producing the Company's ORSA. The ORSA is reviewed and signed off by the Board. The ORSA sets out details of the Company's current business

strategy and risk appetite and details of all material risks that Irwell faces in pursuit of its business objectives.

Irwell uses the standard formula to calculate its SCR. The ORSA includes consideration of whether the SCR calculated in this way is appropriate given our actual risk profile. The ORSA also includes consideration of whether there are any current or emerging risks in Irwell which are not covered explicitly by the standard formula.

The Company operates on a three-year business plan. The ORSA therefore includes consideration of the business plans over that period, and any anticipated changes in risk appetite and risk profile. This includes consideration of any potential changes to current risks and the impact of any emerging risks.

Irwell's policy is for the ORSA to be produced annually. An updated ORSA would be prepared at an intermediate stage in the event of any significant change to the risk profile.

The most recent forecast included assumptions for the new lines of business Irwell is now underwriting and is consistent with the company's business plan. The 2023 ORSA will include a review of the Company's risk position with these changes and growth plans taken into account.

ORSA inputs
The key inputs to the ORSA process are:

- The Irwell risk management process
- The business planning process
- The Solvency II balance sheet and SCR calculation

ORSA Activities
The following activities are performed annually in support of the production of the Company's ORSA:

- Projection of Solvency II technical provisions, Solvency II balance sheet and calculation of the SCR (using the standard formula) over the three year planning period;
- Performance of stress and scenario testing, encompassing all material risks that are covered by the standard formula. The effects of the selected stresses and scenarios are quantified using management's own expert knowledge of the business;
- Consideration of whether there are any further risks not covered by the standard formula that is capable of being measured quantitatively, and
- Calculation of an ORSA capital requirement based on the outcome of our stress and scenario testing.

ORSA Outcomes
The outcome of the ORSA process is an ORSA report that covers the following areas:

- A description of the Company's current business strategy and appetite for risk in pursuing that strategy;
- An assessment of all material risks facing the Company and the mitigating actions in place;
- An assessment of any emerging risks impacting the Company's business strategy;

- The Company's own view of its current capital and solvency requirements based on management's expert understanding of the business and appropriate stress and scenario testing; and
- The Company's forward-looking view of its capital and solvency position over a three year planning period.

The ORSA report is used by the Board for the following purposes:

- Confirmation that all material risks facing the business have been identified together with appropriate mitigating actions;
- Concurrence that the risks detailed are within the agreed risk tolerances;
- Concurrence with the view expressed regarding the current and forward looking capital assessments;
- Confirmation that the level of capital held by the Company is appropriate; and
- Concurrence that the Company will be able to withstand any reasonably foreseeable shocks over the next three years.

B.4 Internal control system

Internal controls

Irwell's internal control system is designed to ensure the effectiveness and efficiency of its operations, to enable the Company to manage its risks and to ensure compliance with its legal and regulatory obligations. The activities comprising the internal control system are detailed within the Company's Governance Framework referred to in B3 above. These include controls which are operated within the key functions of the business, reviews and reporting performed as part of the risk management and compliance functions and the independent assurance provided by Internal Audit in capacity of the third line of defence. The Corporate Governance Framework includes details of roles, responsibilities and reporting procedures for each material risk type. Controls in place to mitigate these risks are detailed in the risk register and summarised in the Corporate Governance Framework. A log is maintained to monitor risk events when they occur, recording the cause of the event, the impact and any remedial actions that have been taken. The CRO is responsible for escalating any issues to the RC.

The internal control system is subject to review by the internal audit function on a cyclical basis and the results are reviewed by the AC.

The board and management of the company has been revised and strengthened and it is intended to appoint a further NED. This increased overall team will allow for greater segregation of duties across the Company.

Compliance

Irwell's Compliance Function is responsible for ensuring compliance with the Company's legal and regulatory obligations. In particular, its responsibilities comprise:

- Identifying and evaluating compliance risks;
- The establishment and monitoring of procedures and controls over identified compliance risks;
- Ensuring that the Company and its intermediaries comply with all relevant rules, regulations and legislation, and

B. Systems of Governance (continued)

- Reporting to the Board on all compliance matters.

The CRO also performs the function of Compliance Officer and is responsible for both day-to-day compliance monitoring and regular reporting to the Board on compliance related matters. The compliance functions of the outsourced intermediaries are subject to periodic review by internal audit.

B.5 Internal audit function

Internal Audit must be objective, impartial and independent and not subject to influence from the Board or management. Accordingly, Irwell has appointed an external provider to perform the internal audit.

An annual internal audit plan is proposed by the external provider and approved by the AC. This plan is developed to ensure that, over the audit universe, sufficient evidence will be obtained to evaluate the effectiveness of the risk management and the control processes across the business.

Each internal audit plan encompasses the following areas:

- Suitability of the internal control system and its efficiency
- Failures/shortcomings of any internal control and potential improvements
- Compliance with internal strategies and policies
- Compliance with internal procedures and processes
- Actions taken to remedy past inadequacies
- Reported deficiencies, failings and irregularities
- Material functions/activities carried out by outsourced service providers

After each audit, appropriate reports are produced and submitted to the AC for review.

B.6 Actuarial function

The role of the Actuarial function is to provide the Board with an independent perspective on key insurance aspects of the Company's operations. This ensures that the Board is fully informed of matters that may impact the business.

Irwell does not employ an in-house actuarial resource and therefore utilises the services of its external actuary in fulfilling the actuarial function.
The Actuarial function is responsible for the following areas:

- Coordinating the calculation of the technical provisions and reporting thereon;
- Assessing whether the methodologies and assumptions used in the calculation of the technical provisions are appropriate;
- Assessing data quality;
- Providing an underwriting policy opinion;
- Providing a reinsurance arrangements opinion, and
- Production of an Annual Actuarial Function Report.

The reporting on the technical provisions and the annual actuarial function report are subject to review and approval by the Board.

B.7 Outsourcing

The Irwell Board has identified the following to be key outsourced functions for the business, together with the relevant responsibilities:

- Underwriting and Claims Handling
- Internal Audit
- Actuarial
- Investment Management
- IT

The Board considers that executive management has collectively the appropriate level of knowledge, skills and experience to oversee the provision of these services.

Irwell has a separate outsourcing policy which sets out the processes and procedures to be followed when deciding to outsource a particular activity. This covers, amongst other things:

- Where responsibility for outsourcing sits within Irwell
- Guidelines and procedures on the materiality assessment, due diligence and risk assessment of any outsourced service provider
- Guidelines on Irwell's contractual arrangements for any outsourced service provider
- Responsibility for oversight of each outsourced service provider, including the requirement that a named senior manager be responsible for each arrangement
- Guidelines around termination and exit management
- Formal authorities for the appointment of outsourced service providers

B.8 Any other information

The Company is satisfied that its system of governance, as outlined in B1-7 above and including the planned changes, is appropriate and proportionate to the nature, scale and complexity of the Company's business. This is something that is continuously reviewed. Both internal and external audits may provide recommendations for improvement which are considered and implemented if it is deemed appropriate to do so.

C. Risk Profile

Summary of risk profile

Irwell's business model was consistent and constant for many years, underwriting legal protection and accountants' tax fee protection risks through related party intermediaries. In financial year 2022, the Company began writing additional lines of business to widen the market that it operates in. In support of this strategy, the Board pursues a conservative investment policy. The following sections provide a summary of each of Irwell's material risks, including a description of the risk, the measures used to assess the risk, risk concentrations and the risk mitigation techniques used by Irwell to manage the risk.

C.1 Underwriting risk

Underwriting risk is assessed between the following risk categories:

- Premium risk
- Reserving risk
- Catastrophe risk
- Lapse risk
- Concentration risk

Appropriate underwriting and risk selection/pricing directly impacts on claims performance via claims frequency and loss ratios and in the same manner claims development and performance drives underwriting decisions. Appropriate and adequate reserving is a key factor in managing business performance. The Company does not use any special purpose vehicles. Underwriting risk is the most significant risk relating to Irwell's business and accounts.

Measures used to assess risk

Irwell underwrites legal expenses and liability insurance in the UK. As at 31 March 2023, the business was sourced solely via authorised intermediaries who act under a delegated risk transfer agreement for underwriting. In respect of legal expenses, claims are handled by a combination of in-house resource, external solicitors and intermediaries. In respect of liability business, through claims handling agreements with Third Party Administrators (TPAs). Underwriting risks are assessed as follows:

- Levels of business written, the sources of that business and detailed claims information are recorded using management information received from the intermediaries on a monthly basis. This information is used to monitor the performance of the business and the level of reserves required.
- The adequacy of premium income to cover expected claims and expenses is the responsibility of the Board supported by recommendations from the Head of Underwriting and is achieved by following the Company's agreed pricing mechanism.
- The Company performs regular reviews of the intermediaries' underwriting records and claims data, including adherence to premium limits, underwriting guidelines and claims handling authorities. The outcomes of these reviews are submitted to the RC, together with overall MI on results and performance. This information is used in the management of underwriting risk.
- The calculation of the technical provisions is performed by the external actuaries

basing their methodology on market best practice, and reviewed and signed off by the AC. This review process includes consideration of the assumptions used, the suitability of the techniques used and the reasonableness of the results. Economic trends, developments in government policy and legal changes are all closely monitored.

In line with the company's growth plans, it is anticipated that miscellaneous financial risks will also be covered, and additional intermediaries will be contracted to distribute for Irwell. These new risks have been assessed and managed as follows:

- Key senior management personnel with experience in underwriting, review opportunities and provide insight into the risks of each line of business being proposed, as well as assessing potential new intermediaries by performing due diligence prior to signing any contract for services
- Claims management has been brought in house to ensure closer day-to-day management and review of the claims. Claims from new intermediaries will also be managed in house as well, with assistance from outsourced specialists (loss adjusters, solicitors) where required.

Responsibility for assessing and monitoring insurance risk rests with the RC, which reports directly to the Board.

Premium risk

The key risk relating to business written is that intermediaries fail to follow agreed underwriting guidelines.

This risk is mitigated by:
- All intermediaries are contracted under market standard delegated underwriting authority agreements;
- All policy wordings are reviewed regularly and updated as necessary;
- Detailed delegated authority agreements are written for all new intermediaries writing business for Irwell, setting out the expectations and requirements;
- Any variation to the agreed rates must be approved by the Underwriting Committee;
- Irwell has the ability to change premium and/or commission rates at short notice in the event of a deterioration in loss ratios;
- The Company performs regular reviews of the intermediaries underwriting records to ensure that they adhere to the terms of the delegated underwriting authority;
- The intermediaries are subject to regular audit of both their compliance with the delegated underwriting authority agreement and their own underwriting processes.
- Validation checks are performed on the risk bordereaux to ensure risks are not being written outside of the agreed upon terms.

Reserving Risk

The Company is exposed to the risk that the actual payment of claims, or the timing thereof, differs from expectations with the result that its premium and claims reserves are not sufficient to meet its insurance liabilities. This is influenced by the both the frequency and the severity of claims. This risk is mitigated by:
- The majority of business written up to 31 March 2022 was on a claims-made basis;
- Standalone liability business is written on a claims occurring basis and has a longer-tail in terms of claims development, this risk group will form an increasingly larger proportion of

the book over time as it is a core area of growth for the company. Reserving will be monitored very closely by management and significant reliance on the actuaries input will assist in offsetting material misstatement in this area;

- Regular reviews of intermediaries are performed to ensure the quality of the claims data received and to ensure adherence to delegated claims handling authorities;
- External actuaries have been employed to perform the actuarial function for Irwell, including reviewing and assessing the Company's technical provisions.
- Experienced Claims team was brought in house from 1st April 2021 to provide knowledge over incoming claims and ensure reserves are appropriate.

Catastrophe risk and reinsurance risk

Up to 31 March 2022, the majority of the business written by Irwell consisted of employment business, covering awards and fees relating to employment tribunal cases and legal fees relating to breaches of health and safety legislation, and accountants' tax fee protection business, covering professional fees relating to HMRC enquiries. All business written is highly diversified and subject to relatively low policy limits. The directors have therefore previously taken the decision that the Company has limited exposure to accumulation of losses due to catastrophic events in relation to the existing business, and as such there has been no requirement for catastrophe reinsurance.

The standalone liability business does have an exposure to catastrophe risk and, therefore, the decision was taken to purchase excess of loss reinsurance to mitigate against this risk.

Lapse risk

Lapse risk is ultimately the risk that the company loses policyholders during an underwriting year or there is a reduction in the conversion rate during the renewal of policies. Up to 31 March 2022, Irwell's lapse risk had not been significant, due to the success and focus its key intermediary's place on this activity. In 2023 the lapse risk for the Company will be increased due to the diversification of the product portfolio and higher price point of the standalone liability product. In order to manage this risk, regular discussions are held with intermediaries to assess the commercial position of products sold in relation to the market.

Concentration Risk

Underwriting concentration risk is limited due to fact that the risks that the Company underwrites are diversified across a large portfolio of individually small insurance contracts. At the date of writing this report, the Company continues to source the majority of its business through four intermediaries, who are members of the same group, and as a result of this the Company has a concentration of business around a single key business partner. This risk has been identified and recorded in the Company's risk register. This concentration risk is mitigated by detailed and ongoing monitoring of the intermediaries and maintaining strong relationships thereon. A further mitigation of this risk is the financial strength of PBSG which is monitored by Irwell on a continuous basis.

As the company grows its income external to the group via the introduction of new intermediaries, the concentration risk will be proportionately reduced. This will diversify the portfolio of Irwell's clients, both in type of business written, as well as the nature of the clients. The impact of this will be monitored on a regular basis.

Risk sensitivity relating to underwriting risk

At 31 March 2023, non-life underwriting risk accounted for 79% (2022: 81%) of Irwell's undiversified SCR.

See section C7 for information on stress and scenario testing on underwriting risk.

Material Change

Other than those already mentioned above, there were no material changes to note.

C.2 Market risk

Market risk is the risk of losses on the Company's investments due to fluctuations in market values. Market risk is subdivided into interest rate risk, equity risk, property risk, spread risk, concentration risk and currency risk. The Company's investments comprise cash, government bonds and investment grade corporate bonds. If necessary, derivatives may be used for hedging purposes. All investments are denominated in sterling. Due to the nature of the Company's investment portfolio, only interest rate risk, spread risk and concentration risk apply to Irwell.

Measures used to assess risk

Irwell has a cautious investment strategy with strict requirements laid down regarding investment type, grade and counterparty exposure limits. This is codified in an investment policy document which is reviewed and approved by the Board on at least an annual basis. The Investment managers are required to operate within the bounds of the Company's investment policy. The investment managers provide the Company with a monthly investment report which details the monthly performance. This report is reviewed by executive management. In addition, the investment managers provide the Company with a quarterly detailed performance summary and narrative investment commentary. These reports are reviewed at Irwell's quarterly board meetings.

Market risk is also identified, assessed and monitored through the Company's risk register. The risk register is the responsibility of the RC and is reviewed and updated as necessary on at least a six-monthly basis.

Interest rate risk

Interest rate risk is the risk of investment losses due to changes in interest rates. Irwell has a short-dated investment portfolio with an average duration at 31 March 2023 of 2.23 years (2022: 2.12). This feature of the portfolio mitigates the interest rate risk. In addition, and when necessary, derivatives may be used to manage the duration of the portfolio. At 31 March 2023, interest rate risk accounted for 1% (2022: 0.1%) of our undiversified SCR, reflecting the increased economic uncertainty in FY23.

Spread risk

Spread risk is the risk that the value of investments will vary due to changes in credit spreads. Credit spreads are narrower for higher rated securities. The risk is therefore mitigated by Irwell specifying in its investment policy the minimum ratings that must apply to different categories of securities both in terms of individual issuers and in terms of the portfolio as a whole. At 31 March 2023, spread risk accounted for 4.4% (2022: 10%) of the Company's undiversified SCR.

Concentration risk

Concentration risk is the risk of investment losses that may occur due to having a large portion of the investment portfolio with the same counterparty. This risk is mitigated by Irwell ensuring appropriate diversification, specifying in its investment policy maximum limits for any one issuer. As a result, concentration risk relating to Irwell's investment portfolio is managed to a low level. At 31 March 2023, concentration risk accounted for 4.7% (2022: 0.1%) of the Companies undiversified SCR.

Prudent person principle

Irwell's investment strategy is focused on capital preservation and ensuring sufficient liquidity to meet claims and expenses on an ongoing basis. As a result the Company has a low risk, well diversified portfolio of investment assets which is fully compliant with the prudent person principle. In particular:

- The average short duration of the investments matches the short-tail nature of the majority of the insurance business written by the Company. This ensures that the assets held to cover the technical provisions are invested in a manner appropriate to the nature and duration of the insurance liabilities and in the best interest of all policyholders.
- Investment management is outsourced to a leading asset management firm.
- The asset managers operate under a strict set of investment guidelines specifying limits as to duration, security and diversification.
- The investment guidelines also ensure that holdings are only acquired in investments where it is confirmed that data is available properly to identify, measure, monitor, manage, control and report on those assets and perform the necessary solvency capital calculations in accordance with the Standard Formula.
- Exchange traded derivatives are approved for hedging purposes only, where such instruments can be shown to improve the quality, profitability, liquidity or security of the portfolio.

Risk sensitivity relating to market risk

Irwell's investment strategy described above results in total market risk comprising approximately 10% (2022: 10%) of the Company's undiversified SCR at 31 March 2023.

See section C7 for information on stress and scenario testing on market risk.

Material change

Other than those mentioned above, the business does not consider there to be any material changes to note.

C.3 Counterparty default risk (CDR)

CDR is the risk that a counterparty will be unable to pay amounts in full when due. Irwell is exposed to CDR in relation to overdue premium debtors (type 2 counterparties) and in respect of deposits with banks and recoveries due from reinsurers (type 1 counterparties). In respect of reinsurance, our Reinsurance Policy sets out the requirements in respect of the selection of reinsurers to mitigate this risk, the financial rating of reinsurers set by the Board is of "A" or above. It's worth noting that since Irwell engaged in its reinsurance programme, no claims have exceeded the retention limits and as a result no monies or balances associated with reinsurers have been required to be recorded in the Company's books.

Measures used to assess risk

CDR is identified, assessed and monitored through the Company's risk register. These risks are discussed by the RC on at least a six-monthly basis and their potential impact is assessed. In addition, the intermediaries are subject to periodic audit reviews.

Amounts due from intermediaries

All the premium debtors on the Irwell balance sheet will be collected by our intermediaries, the majority of which (in terms of the level of business written) are connected parties, being subsidiaries of PBSG. This increases the CDR because of the concentration to one group of companies. This risk is mitigated as follows:

- Irwell has in place credit terms with its intermediaries and their adherence to those terms is carefully monitored.
- Review of financial information of the intermediaries, including financial statements and visibility of business plans / projections.
- The majority of premiums are paid in instalments and therefore, at any balance sheet date, only one month's premiums is in the hands of the intermediaries.
- A further mitigation of this risk is the financial strength of PBSG which is monitored by Irwell on a continuous basis.

There is a short credit period before premiums received by the intermediaries are payable to Irwell, as agreed in the terms with the intermediaries. Adherence to these credit terms is carefully monitored and controlled. Therefore, at any valuation date, a very small amount, if any, of the premium debtors are past due and consequently are included in CDR for solvency purposes. As the company continues to expand its intermediaries into the future, it is possible that the CDR could increase. Credit terms with all intermediaries will be monitored closely going forward, and due diligence will be performed on all proposed intermediaries before new relationships are entered into.

Deposits with banks

The Irwell investment policy requires that cash deposits are held at banks with a minimum A rating.

Risk sensitivity to CDR

At 31 March 2023, credit risk relating to deposits with banks (type 1 counterparty risk) accounted for 5% of Irwell's undiversified SCR (2022: 4%).

Material change

Although changes going forward could impact on the CDR as mentioned above, there have been no material changes during the year ended 31 March 2023.

C4 Liquidity risk

Liquidity risk relates to the risk that there may be insufficient financial resources to meet the Company's financial obligations as and when they fall due.

Measures used to assess risk

Liquidity risk is assessed and monitored on a continuous basis to ensure that funds are maintained at a level sufficient for ongoing requirements. Investments and cash are reviewed by the Board at its quarterly meetings.

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

Liquidity risk exposure

The ongoing cash-flow requirements of Irwell are currently more than covered by the premium receipts each month from intermediaries. The main cash movement on a month-to-month basis is through one of the big four UK banks. Bank deposits can also made on Irwell's behalf by the investment managers in accordance with the Company's investment policy. Irwell's investment portfolio is managed in such a way as to ensure that liquid assets are always readily available to meet liabilities as they fall due.

Expected profit in future premiums

The expected profit included in future premiums is £3,943k (2022: £3,696k), calculated in accordance with Article 260(2).

Prudent person principle

The Company's investment policy emphasises the liquidity requirements of the business and, in particular, the nature and timing of its insurance liabilities.

Risk sensitivity relating to liquidity risk

Liquidity risk is not a material risk for Irwell. Therefore, no stress testing has been performed.

Material change

As the Company continues to expand its intermediaries and write new lines of business liquidity risk will increase going forward. This is due to additional reserves being required to cover the new risks being written. In order to ensure that the Company has sufficient funds, stress test analysis work is performed, both in relation to the existing business as well as the forecasts. Irwell has always carried funds well in excess of the SCR, and as at 31 March 2023 the capital ratio was 259% (2022: 230%).

C.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The key operational risks are:

- Outsourcing
- People
- Systems – implementation of new systems, risk of failure of controls
- Regulatory
- Reputation

Measures used to assess risk

Operational risk is assessed and monitored through the Company's risk register. This sets out the key risks to which the Company is exposed and the controls in place to mitigate each risk.

Outsourcing

Up to 31 March 2022, the critical function of underwriting had been delegated to the Company's intermediaries. Claims handling is dealt with in-house and supported by TPAs and panel solicitors. This reduces the outsourcing risk and provides the executive team with greater oversight and control of the claims management.

Irwell remains ultimately responsible for the outsourced activities. This responsibility is taken at board level and the associated risk of non-compliance or poor compliance with Irwell's requirements is managed as follows:

- Irwell has a written outsourcing policy, agreed at board level;
- Irwell has written delegated underwriting and claims handling agreements in place with its intermediaries, TPAs and panel solicitors;
- Irwell proactively manages performance of the intermediaries in respect of the delegated authorities; and
- Each intermediary is regulated by the FCA (or the SRA in respect of solicitors) in their own right and Irwell monitors those companies' interactions with the regulator.

People

In line with the Companies growth plans through 2022/23 a senior management team has been recruited in order to support the executive directors as Irwell expands and takes on new risks and markets, as well as to help manage the new claims team and provide expertise in underwriting.

Having the additional team members supporting the directors reduces the risk of dependence on any one individual, but in consequence there is additional operational risk that people may lack the training or skills to fulfil their roles. In order to combat this, Irwell has ensured that all senior managers are competent in their roles and sufficient training is provided on an ongoing basis.

The Company has in place a robust training policy in respect of all staff and this is monitored by the RC to ensure that all individuals employed have the necessary training and skills to fulfil their roles.

Systems – implementation of new systems

Throughout 2022 and early 2023 the Company has been introducing and testing new IT systems to manage Underwriting (IIP), Claims (CCM) and Finance (Sage). As these systems are implemented, there are risks that those systems either fail or fail to operate as intended. This risk is monitored by the RC and reviewed quarterly during the development, implementation and go-live stage of the system build.

Regulatory

This relates to the risk of failing to comply with current regulatory requirements or to identify, understand and apply changes to law or regulations.

This risk is mitigated by the Company having a strong system of governance, including an effective risk management system and effective internal controls. In addition, as mentioned above, Irwell proactively manages the activities of the outsourced underwriting and claims handling functions to ensure regulatory compliance.

Reputation

This is the risk that a regulatory breach or poor customer service could give the Company a poor reputation. In light of the outsourced activities with the intermediaries, Irwell has a dependence on them for maintaining the business's reputation with policyholders. Proactive monitoring of the performance of Irwell's intermediaries includes the regular review of reputational risk, including the monitoring of customer service in line with the FCA's principles for treating customers fairly.

Bringing claims management in house has increased the management team's control and review of the reputation. Additionally, complaints referred to Irwell are investigated promptly and brought to an appropriate conclusion. Irwell have historically had a very low level of complaints.

Risk sensitivity relating to operational risk

Operational risk represents 5% of the Company's undiversified SCR as at 31 March 2023 (2022: 5%).

Material change

Other than those changes mentioned above, Irwell are not aware of any material changes.

C.6 Other material risks

All material risks are dealt with in C1-5 above.

C.7 Any other information

Stress and scenario testing

The Company performs an annual stress and scenario testing exercise as part of its ORSA process, testing material risks to which it is exposed compared to the SCR, as well as performing reverse stress tests. Underwriting risk and market risk together account for 94% (2022: 91%) of the Company's post diversification basic solvency capital requirement and therefore these are the risk areas where the Company's stress testing is concentrated.

Underwriting risk

A range of stress tests has been performed by carefully selecting plausible tests upon which the business model is based. As a result, claims experience is modelled against the business plan under various scenarios and importantly, a reverse stress test to appertain the loss ratio upon which the SCR would become 100% of eligible own funds.

It is projected that the underwriting risk module is likely to increase due to the diversification of the product portfolio and higher liability limits on new risks being written. Stress tests are performed on the forecasts and are included in the Companies ORSA, these provide reassurance that the Company has sufficient reserves to manage the risks.

Market risk

Stress testing was performed in respect of interest rate risk and spread risk. The interest rate test looked at adverse movements in the derivative in isolation and in the portfolio as a whole. The spread risk test assumed institutional failure in a sample of corporate bonds. These tests resulted in only a small impact on the Company's capital position, which is consistent with the fact that Irwell's investment portfolio is low risk in terms of asset type, duration and diversification.

Future developments

As the product range and markets that Irwell operates in continue to expand, the risks to the Company will be reviewed on a regular basis.

D. Valuation for Solvency Purposes

D.1 Assets

D1.1 Assets at 31 March 2023:

	Financial statements valuation	Reanalysis for solvency	Solvency valuation adjustments	Solvency valuation
	£'000	£'000	£'000	£'000
Fixed Assets	231	(5)	(226)	-
Government and corporate bonds	39,306	7,176	-	46,482
Futures contracts	-	-	-	-
Amounts due from intermediaries	12,190	-	(12,190)	-
Deferred tax asset	-	-	-	-
Cash at bank	13,705	(6,816)	-	6,889
Deferred acquisition costs	3,541	-	(3,541)	-
Accrued interest	360	(360)	-	-
Prepayments & Other Assets	433	110	-	543
Total assets	69,765	105	(15,957)	53,914

D1.1A Assets at 31 March 2022:

	Financial statements valuation	Reanalysis for solvency	Solvency valuation adjustments	Solvency valuation
	£'000	£'000	£'000	£'000
Fixed Assets	258	-	-	258
Government and corporate bonds	36,982	352	-	37,334
Futures contracts	-	-	-	-
Amounts due from intermediaries	10,959	-	(10,956)	3
Deferred tax asset	-	-	-	-
Cash at bank	11,327	-	-	11,327
Deferred acquisition costs	2,814	-	(2,814)	-
Accrued interest	352	(352)	-	-
Prepayments & Other Assets	166	-	-	166
Total assets	62,858	-	(13,770)	49,088

D1.2 Solvency valuation

- Government and corporate bonds are valued at fair value, being bid price at the valuation date plus any accrued interest. They are all level 1 investments, valued by reference to quoted prices on an active market.

- The Company may use futures contracts for the purpose of managing its portfolio duration. These contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss account. At the balance sheet date, Irwell held £nil (2022: £nil) in cash futures.
- Amounts due from intermediaries are all due within one year. They are therefore valued at the undiscounted amount of the amount expected to be received. For solvency purposes, they are netted off technical provisions, with the exception of amounts more than 3 months overdue, which are retained on the Solvency II balance sheet.
- When necessary, deferred tax assets (DTA) relate to timing differences between the tax values of assets and liabilities and their values calculated on in accordance with Solvency II principles. DTA are valued on the basis of the amount expected to be recovered against future taxable profits.
- Cash at bank is valued at its carrying value at the valuation date plus any accrued interest.

D1.3 Differences between solvency valuation and valuation in financial statements

The valuation of assets for solvency purposes is consistent with the valuation in the financial statements, with the following exceptions:

- In the financial statements, accrued interest is shown within 'prepayments and accrued income', whereas in the Solvency II balance sheet it included within 'Government and corporate bonds' and 'Cash at bank' as applicable.
- As stated in D1.2 above, amounts due from intermediaries are netted off technical provisions in the Solvency II balance sheet, with the exception of amounts more than 3 months overdue, which are retained on the Solvency II balance sheet.
- Deferred acquisition costs (DAC) comprise acquisition costs that are attributable to premiums unearned at 31 March 2023. DAC is not recognised as an asset for solvency purposes.
- DTA would comprise as a solvency adjustment and therefore is not included in the financial statements.
- Intangible assets should only be valued for Solvency II purposes if they can be sold separately and where a quoted value from an active market can be pertained.

D.2 Technical Provisions

D2.1 Technical provisions at 31 March 2023:

Line of business	Claims provision	Premium provision	Risk margin	Total technical provisions
	£'000	£'000	£'000	£'000
General liability	6,140	(524)	734	6,350
Legal expenses	13,816	(2,776)	1,732	12,772
Total	**19,956**	**(3,300)**	**2,466**	**19,122**

D2.1a Technical provisions at 31 March 2022:

Line of business	Claims provision	Premium provision	Risk margin	Total technical provisions
	£'000	£'000	£'000	£'000
General liability	5,599	(1,166)	473	4,906
Legal expenses	13,958	(2,530)	1,941	13,369
Total	**19,557**	**(3,696)**	**2,414**	**18,275**

D2.2 Solvency valuation

Technical provisions comprise claims provisions, premium provisions and a risk margin. These are calculated by the Companies external actuaries in adherence with the EIOPA rules on a best estimate basis.

Both the claim and premium provisions are required to include all future expenses that will be incurred in servicing all existing business including any expected profit commission that will be generated by business that has not yet expired. All future expenses have been derived from the forecasts that are produced as part of the Company's business planning process.

Allowance is made in the technical provisions for both bound but not incepted (BBNI) and events not in data (ENID). The methodology used to set the ENID loadings is based on a commonly used "truncation distribution" method.

Amounts due to and from intermediaries, comprising premiums receivable in respect of existing policies (with the exception of amounts more than 3 months overdue), the related commission creditors and creditors for claims payable, are included within technical provisions for solvency purposes. There are no valuation differences compared with the amounts for these items in the financial statements.

The technical provisions are presented on a discounted basis. Loss cash flows are projected using payment patterns from the reserving analysis. Cash flows are discounted at the PRA's risk-free spot rate.

The risk margin represents the amount that a third party would require in addition to the best estimates to assume the Company's insurance liabilities, calculated on a cost of capital basis. The risk margin is estimated by assuming that future solvency capital requirements ('SCR') will be proportional to best estimate discounted technical provisions.

D2.3 Level of uncertainty associated with the value of technical provisions

The key areas of uncertainty relating to technical provisions are as follows:

- When projecting future claims, it is necessary to make some assumptions regarding the future claims development. There is always inherent uncertainty in estimating future liabilities since events and circumstances may not occur exactly as predicted.
- A significant amount of judgement is applied in establishing claims provisions, making their estimation inherently uncertain. Judgement is applied both in establishing case estimates and in interpreting historical data in the process of projecting ultimate claims. However, the level of uncertainty is moderated due to the fact that the majority of business is written on a claims made basis. All business apart from the new standalone liability line, written from January 2022, is written on a claims made basis. Irwell therefore started introducing an IBNR to the provisions at the 2022 year end.
- For employment business, there is uncertainty as to the number of claims that will proceed to tribunal. For all business, there is inherent uncertainty as to the rate of claims development. A slower development pattern than that anticipated will result in adverse development.
- The new lines of business, and new intermediaries, introduced during 2022 increased the uncertainty attached to the technical provisions, as the internal data available for measurement is limited however the actuaries do reference industry trends to mitigate this.
- On the majority of business written, Irwell has low indemnity limits in place. PBS, BHR and CG claims severity is affected by the indemnity limit in place on the amount that can be awarded at an employment tribunal. CIL claims severity is influenced by HMRC's historical practice of using one complex case as a test case with other similar claims following the ruling in that case, making it unlikely that a large number of claims would incur high tribunal fees. These considerations mean that the Company's catastrophe exposure is low. The new standalone liability product has a £10m limit on each product line, however Irwell has mitigated the risk of catastrophe exposure by contracting excess of loss reinsurance in relation to this business.
- The determination of the premium provision is inherently uncertain in that it is based on actuarial analysis of historical data. In addition, since the premium provision relates to future cash flows relating to unearned exposures, there is greater uncertainty attached to unearned exposures.
- ENID are by definition uncertain in that they relate to events not represented in the historical data. They are not significant in the context of the Company's total technical provisions.
- The risk margin is uncertain in that it is based on forecasts of future SCRs.
- COVID-19 did add uncertainty to the technical provisions and did impact on the claims logged as well as the payment patterns. The impact of this will continue to be monitored going forward however, we believe the uncertainty in relation to this is now abating.
- The current economic environment, impacted by the Ukraine/Russia conflict and also heightened interest rates in response to escalating inflation has created additional uncertainty for the technical provisions. Rising interest and inflation rates may increase the

cost of claims for instance. The impact of the economic uncertainty on the underwriting performance will continue to be monitored going forward.

D2.4 Differences between solvency valuation and valuation in financial statements

The technical provisions per the financial statements (UK GAAP) and per the solvency valuation are reconciled in the following table:

	Third party liability	Legal expenses	Total
at 31 March 2023	**£'000**	**£'000**	**£'000**
Claims provision			
UK GAAP claims provisions	5,073	15,933	21,006
Removal of margin	(1)	-	(1)
Expenses	406	1,275	1,681
Events not in data	210	417	627
Other reserves (claims creditors)	2	(4,663)	(4,661)
Other accounting items (profit commission)	991	2,592	3,583
Discounting	(541)	(1,738)	(2,279)
Solvency II claims provision	**6,140**	**13,816**	**19,956**
Premium provision			
Booked unearned premiums reserve	3,272	6,478	9,750
Bound but not incepted premium	-	2,554	2,554
Expected future profit	(1,254)	(3,297)	(4,551)
Expenses	161	459	620
Events not in data	133	151	284
Other accounting items (profit commission)	484	813	1,297
Future premium to be received	(2,984)	(9,257)	(12,241)
Discounting	(336)	(677)	(1,013)
Solvency II premium provision	**(524)**	**(2,776)**	**(3,300)**
Gross solvency II best estimate	**5,616**	**11,040**	**16,656**
Risk margin	734	1,732	2,466
Solvency II technical provisions	**6,350**	**12,772**	**19,122**
at 31 March 2022	**£'000**	**£'000**	**£'000**
Claims provision			
UK GAAP claims provisions	5,213	15,332	20,545
Removal of margin	(549)	(191)	(740)
Expenses	280	908	1,188
Events not in data	139	377	516
Other reserves (claims creditors)	371	(4,262)	(3,891)
Other accounting items (profit commission)	311	2,557	2,868
Discounting	(166)	(763)	(929)
Solvency II claims provision	**5,599**	**13,958**	**19,557**
Premium provision			
Booked unearned premiums reserve	2,600	5,980	8,580
Bound but not incepted premium	8	2,391	2,399
Expected future profit	(1,084)	(3,129)	(4,213)
Expenses	91	315	406
Events not in data	80	132	212
Other accounting items (profit commission)	207	395	602
Future premium to be received	(2,981)	(8,297)	(11,278)
Discounting	(87)	(318)	(405)
Solvency II premium provision	**(1,166)**	**(2,531)**	**(3,697)**
Gross solvency II best estimate	**4,433**	**11,427**	**15,860**
Risk margin	474	1,941	2,415
Solvency II technical provisions	**4,907**	**13,368**	**18,275**

The key adjustments required to affect the transition from the UK GAAP technical provisions to the technical provisions for solvency purposes are as follows:

- Under UK GAAP, the unearned premium provision comprises the proportion of the premiums written in a year relating to the period of risk from 1st April to the subsequent dates of expiry of policies. In contrast, the premium provision for solvency purposes is calculated on a best estimate basis and therefore takes account of expected future profits.
- For solvency purposes, insurance debtors and creditors are netted off technical provisions.
- The solvency technical provisions include loadings for ENID and for future expenses in relation to exiting insurance business.
- Under UK GAAP, the DAC is shown as an asset, whereas for Solvency purposes, they are netted off the UPR within the premium provision.
- The solvency technical provisions include values for business bound but not incepted at the balance sheet date.
- The UK GAAP technical provisions are not discounted whereas discounting is applied to the solvency technical provisions.
- The solvency technical provisions include a risk margin whereas no allowance is made for a risk margin when establishing the UK GAAP technical provisions.

D2.5 Other matters

The Company has not applied for approval for, and therefore has not applied the matching adjustment, the volatility adjustment, transitional risk-free interest term structure or the transitional deduction with respect to the calculation of Solvency II technical provisions.

The Company has continued to purchase reinsurance against the liability products offered to the market, where necessary reinsurance recoveries are included in GAAP results, determined from retention and incurred levels at the case level and under solvency II based on actuarial techniques and measurement.

There have been no material changes to the assumptions made in calculating the technical provisions compared to the previous period.

D.3 Other liabilities

D3.1 Other liabilities at 31 March 2023:

	Financial statements valuation	Reanalysis for solvency purposes	Solvency valuation adjustments	Solvency valuation
	£'000	£'000	£'000	£'000
Insurance creditors	6,725	-	(6,725)	-
Other creditors	975	105	-	1,080
Accruals	729	-	-	729
Total	**8,429**	**105**	**(6,725)**	**1,809**

D3.1a Other liabilities at 31 March 2022:

	Financial statements valuation	**Reanalysis for solvency purposes**	**Solvency valuation adjustments**	**Solvency valuation**
	£'000	**£'000**	**£'000**	**£'000**
Insurance creditors	6,355	-	(6,354)	1
Other creditors	698	52	-	750
Accruals	304	-	-	304
Total	**7,357**	**52**	**(6,354)**	**1,055**

D3.2 Solvency valuation

Insurance creditors comprise claims agreed for payment and acquisition costs and profit commission payable to intermediaries. All amounts are due within one year and are therefore valued at the undiscounted amount of the amount due to be paid. For solvency purposes, claim, acquisition cost and profit commission creditors are netted off technical provisions, with the exception of commissions relating to premium receivables more than 3 months overdue, which are retained on the Solvency II balance sheet.

Other creditors and accruals, including corporation tax payable, are all expected to be settled within one year and are therefore valued at the undiscounted amount of the amount expected to be paid. At 31 March 2023, there is no derivative financial liability included within other creditors (2022: £nil).

D3.3 Differences between solvency valuation and valuation in financial statements

As stated in D2.2 above, claim, acquisition cost and profit commission creditors are netted off technical provisions in the Solvency II balance sheet.

The Solvency II net assets position is summarised below.

	Financial Statements	Sol ii Adjustments	Solvency ii Valuation
Assets (see D1.1)			
Fixed Assets	231	(231)	-
Investments	39,306	7,176	46,482
Cash	13,705	(6,816)	6,889
Debtors	12,190	(12,190)	-
Prepayments & Other Debtors	4,333	(3,790)	543
Total Assets	**69,765**	**(15,851)**	**53,914**
Liabilities (see D2.4)			
Claims provision	15,890	4,066	19,956
Premium provision	13,290	(16,590)	(3,300)
Risk margin	-	2,466	2,466
Technical provisions	29,180	(10,058)	19,122
Deferred Tax Liability	-	158	158
Other liabilities (see D3.1)	8,429	(6,620)	1,809
Total Liabilities	**37,609**	**(16,520)**	**21,089**
Total Net Assets	**32,156**	**669**	**32,825**

D.4 Alternative methods for valuation
Not applicable.

D.5 Any other information
There is no other material information to disclose regarding the valuation of assets and liabilities for solvency purposes.

E. Capital Management

E1 Own Funds

E1.1 Objectives, policies and processes for managing own funds

In order to ensure continuous compliance with the regulatory capital and solvency position, the objective of the Company is to maintain own funds so as to hold a buffer over the SCR of at least 50% i.e. a SCR risk appetite of 150%. Irwell uses the standard formula to calculate its SCR. The board formally reviews the ratio of own funds over the SCR at each board meeting.

The Company operates on a three-year business planning timeframe. As part of the normal business planning process, a three-year forecast is produced at the commencement of each financial year. The forecast includes a projection of the of the solvency margin over that period. The business plan also forms a key input to the Company's ORSA.

E1.2 Own funds by tier

Own fund item	**Tier**	**2023**	**2023**	**2022**	**2022**
		£'000	**%**	**£'000**	**%**
Ordinary share capital	1	4,000	12.2	4,000	13.5
Reconciliation reserve	1	28,983	88.3	25,758	87.2
Sub-total Tier 1		**32,983**	**100.5**	**29,758**	**100.7**
Deferred tax asset/(liability)	3	(158)	(0.5)	(219)	(0.7)
Total own funds		**32,825**	**100**	**29,539**	**100**

The reconciliation reserve comprises retained earnings together with solvency valuation adjustments.

The total own funds shown in the above table is eligible to cover the SCR.

A dividend of £NIL has been declared and paid during the year ended 31 March 2023 (2022: £1.5m).

Only tier 1 items totalling £32,983k (2022: £29,758k) are available to cover the MCR.

There are no restrictions regarding the availability of own funds.

E1.3 Reconciliation of equity in the financial statements and the excess of assets over liabilities as calculated for solvency purposes

There is no difference between the amount of ordinary share capital reported in the financial statements and the amount included in own funds.

The differences between equity in the financial statements and the excess of assets over liabilities as calculated for solvency purposes relate to adjustments made in order to value assets and liabilities at their solvency valuation. These adjustments are fully described in section D above and summarised in the table below:

	2023	2022
	£'000	£'000
Shareholders' equity in the UK GAAP financial statements	32,156	28,607
Adjust technical provisions to best estimate	227	2,230
Risk margin	(2,466)	(2,414)
Discounting of technical provisions	3,292	1,335
Deferred tax asset/(liability)	(158)	(219)
Intangible asset elimination	(226)	-
Total own funds	**32,825**	**29,539**

E.1.4 Other disclosures

No basic own funds are subject to the transitional arrangements referred to in Articles 308b (9) and 308b (10) of Directive 2009/138/EC. There are no ancillary own funds and no deductions made from the own funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E2.1 SCR

At 31 March 2023, the SCR was £12,664k (2022: £12,851k). The SCR was determined using the standard formula, and is summarised as follows:

	2023	2022
	£'000	£'000
Market risk	1,500	1,452
Counterparty default risk	786	609
Non-life underwriting risk	11,844	11,894
Diversification	(1,405)	(1,296)
Total Basic SCR	**12,725**	**12,659**
Operational risk	777	692
Deferred tax adjustment	(838)	(500)
Total SCR	**12,664**	**12,851**

E2.2 MCR

At 31 March 2023, the MCR was £4,059k (2022: £3,682k). The inputs used by the Company to calculate the MCR were as follows:

Line of business	Technical provisions		Written premiums in last 12 months	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Third-party liability	5,627	4,433	6,748	5,038
Legal expenses	11,028	11,428	20,436	19,309
Total	**16,655**	**15,861**	**27,184**	**24,347**

The MCR calculation is based on the technical provisions and the expected level of retained premiums over the previous 12 months. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. The MCR for Irwell is subject to an absolute floor of £3,166k as at 31 March 2023 (2022: £3,126k).

E2.3 Analysis of change
The Company's solvency capital requirement has marginally decreased year on year from £12,851k in FY22 to £12,664k in FY23, a reduction of £187k. This is mostly due to the deferred tax adjustment at the 2023 year-end growing by £338k which is a deduction from the basic solvency capital requirement. Whilst the company has been increasing traction with its products external to PBSG, the core liability product benefits from reinsurance cover which has dampened some of the growth impact in the underwriting module from this risk group whilst the removal of fixed fee charges for legal support to companies in the PBSG has assisted in offsetting the additional risk from the liability book.

E2.4 Other
No simplifications are used to calculate the SCR.

No undertaking-specific parameters are used to calculate the SCR pursuant to Article 104(7) of Directive 2009/138/EC.

E.3 Use of the duration-based equity risk sub-module to calculate the SCR
The Company does not hold equities and therefore the equity risk sub-module is not applicable.

E.4 Differences between the standard formula and any internal model used
The Company does not use any internal model.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement
The Company has complied throughout the year with the minimum capital requirement and the solvency capital requirement.

E.6 Any other information
The conflict between Ukraine and Russia is ongoing at the time of writing. The energy sector appears to have stabilised since the beginning of the war following restrictive sanctions being applied to Russian oil and gas, however there is still the underlying inflationary pressure which central banks are focused on bringing under control. There is uncertainty arising from the conflict and this can impact further on the global economy. The investment portfolio is purposely risk averse, as a result Irwell is in a position to meet its liabilities as they fall due and there is sufficient headroom in the ratio of own funds to the solvency capital requirement at 259% to accommodate any further economic shocks.

From an insurance sector perspective, there has been a high level of attention being placed in assessing the increased risks and impact associated with the COVID-19 pandemic and Brexit, though this has had minimal disruption on the Company than initially anticipated.

Annex - Quantitative reporting templates

S.02.01.02	Balance Sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life Insurance Claims Information
S.23.01.01	Own funds
S.25.01.21	Solvency Capital Requirement
S.28.01.01	Minimum Capital Requirement

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	46,482
Bonds	**R0130**	39,626
Government Bonds	**R0140**	10,684
Corporate Bonds	**R0150**	27,273
Structured notes	**R0160**	552
Collateralised securities	**R0170**	1,118
Deposits other than cash equivalents	**R0200**	6,856
Cash and cash equivalents	**R0410**	6,889
Any other assets, not elsewhere shown	**R0420**	543
Total assets	**R0500**	53,914

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	19,121
Technical provisions – non-life (excluding health)	**R0520**	19,121
Best Estimate	**R0540**	16,655
Risk margin	**R0550**	2,466
Deferred tax liabilities	**R0780**	159
Any other liabilities, not elsewhere shown	**R0880**	1,809
Total liabilities	**R0900**	21,090
Excess of assets over liabilities	**R1000**	32,825

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)		Total
		General liability insurance	Legal expenses insurance	
		C0080	**C0100**	**C0200**
Premiums written				
Gross - Direct Business	**R0110**	7,349	20,440	27,789
Gross - Proportional reinsurance accepted	**R0120**			
Gross - Non-proportional reinsurance accepted	**R0130**			
Reinsurers' share	**R0140**	607		607
Net	**R0200**	6,741	20,440	27,182
Premiums earned				
Gross - Direct Business	**R0210**	5,451	20,441	25,893
Gross - Proportional reinsurance accepted	**R0220**			
Gross - Non-proportional reinsurance accepted	**R0230**			
Reinsurers' share	**R0240**	607		607
Net	**R0300**	4,844	20,441	25,285
Claims incurred				
Gross - Direct Business	**R0310**	1,066	6,309	7,375
Gross - Proportional reinsurance accepted	**R0320**			
Gross - Non-proportional reinsurance accepted	**R0330**			
Reinsurers' share	**R0340**			
Net	**R0400**	1,066	6,309	7,375
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**	2,679	11,171	13,851
Other expenses	**R1200**			
Total expenses	**R1300**			13,851

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance		Total Non-Life obligation
		General liability insurance	Legal expenses insurance	
		C0090	C0110	C0180
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	R0050			
Technical provisions calculated as a sum of BE and RM				
Best estimate				
Premium provisions				
Gross	R0060	-524	-2,776	-3,300
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140			
Net Best Estimate of Premium Provisions	R0150	-524	-2,776	-3,300
Claims provisions				
Gross	R0160	6,152	13,804	19,955
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240			
Net Best Estimate of Claims Provisions	R0250	6,152	13,804	19,955
Total Best estimate - gross	R0260	5,627	11,028	16,655
Total Best estimate - net	R0270	5,627	11,028	16,655
Risk margin	R0280	730	1,736	2,466
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0290			
Best estimate	R0300			
Risk margin	R0310			
Technical provisions - total				
Technical provisions - total	R0320	6,358	12,764	19,121
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330			
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	6,358	12,764	19,121

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0020	Accident year [AY]

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

	Year		1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100												R0100		
2014	R0160	3,734	5,137	1,940	361	80	143	20	12	85			R0160		11,512
2015	R0170	3,456	3,744	704	556	42	71	92	3				R0170		8,668
2016	R0180	3,526	3,599	1,100	263	147	81	164	6				R0180	6	8,887
2017	R0190	3,222	4,273	967	457	430	546	32					R0190	32	9,926
2018	R0200	4,512	5,993	1,434	555	761	125						R0200	125	13,379
2019	R0210	5,077	4,369	1,091	1,238	104							R0210	104	11,880
2020	R0220	4,130	3,295	2,494	691								R0220	691	10,611
2021	R0230	1,909	2,837	1,223									R0230	1,223	5,970
2022	R0240	1,441	1,840										R0240	1,840	3,282
2023	R0250	1,501											R0250	1,501	1,501
												Total	R0260	5,523	85,616

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year		1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											104	R0100	103
2014	R0160				1,747	788	375	273	189	122	125		R0160	117
2015	R0170			1,703	674	510	367	216	281	257			R0170	240
2016	R0180		3,318	1,410	736	413	352	122	54				R0180	49
2017	R0190	3,875	3,430	2,372	1,814	1,616	892	759					R0190	676
2018	R0200	7,374	4,882	2,913	2,376	1,742	1,407						R0200	1,285
2019	R0210	5,883	5,426	3,570	2,187	1,673							R0210	1,530
2020	R0220	5,868	6,535	3,689	2,485								R0220	2,262
2021	R0230	3,026	4,326	2,293									R0230	2,093
2022	R0240	7,026	4,059										R0240	3,716
2023	R0250	9,018											R0250	7,883
												Total	R0260	19,955

Annex – Quantitative Reporting Templates

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	4,000	4,000			
Reconciliation reserve	R0130	28,825	28,825			
Total basic own funds after deductions	R0290	32,825	32,825			
Total available own funds to meet the SCR	R0500	32,825	32,825			
Total available own funds to meet the MCR	R0510	32,825	32,825			
Total eligible own funds to meet the SCR	R0540	32,825	32,825			
Total eligible own funds to meet the MCR	R0550	32,825	32,825			
SCR	R0580	12,664				
MCR	R0600	4,059				
Ratio of Eligible own funds to SCR	R0620	259.19%				
Ratio of Eligible own funds to MCR	R0640	808.78%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	32,825
Other basic own fund items	R0730	4,000
Reconciliation reserve	R0760	28,825
Expected profits		
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	3,943
Total Expected profits included in future premiums (EPIFP)	R0790	3,943

Annex – Quantitative Reporting Templates

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	1,500		
Counterparty default risk	R0020	786		
Non-life underwriting risk	R0050	11,844		
Diversification	R0060	-1,404		
Basic Solvency Capital Requirement	R0100	12,725		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	777
Loss-absorbing capacity of deferred taxes	R0150	-837
Solvency capital requirement excluding capital add-on	R0200	12,664
Solvency capital requirement	R0220	12,664

		Yes/No
Approach to tax rate		C0109
Approach based on average tax rate	R0590	2 - No

		LAC DT
Calculation of loss absorbing capacity of deferred taxes		C0130
LAC DT	R0640	-837
LAC DT justified by carry back, current year	R0670	-837

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	R0010	4,059

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
General liability insurance and proportional reinsurance	R0090	5,627	6,748
Legal expenses insurance and proportional reinsurance	R0110	11,028	20,436

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{L} Result	R0200	

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

Overall MCR calculation

		C0070
Linear MCR	R0300	4,059
SCR	R0310	12,664
MCR cap	R0320	5,699
MCR floor	R0330	3,166
Combined MCR	R0340	4,059
Absolute floor of the MCR	R0350	3,445
		C0070
Minimum Capital Requirement	R0400	4,059