



Coverys Limited

**Solvency and Financial
Condition Report (SFCR)**

2025

Executive Summary	3
Auditors Report	6
A. BUSINESS AND PERFORMANCE.....	10
A.1. Business	10
A.2. Underwriting Performance.....	11
A.3. Investment Performance.....	12
A.4. Performance of Other Activities	13
A.5. Any Other Information.....	13
B. SYSTEM OF GOVERNANCE	14
B.1. General information on the system of governance.....	14
B.2. Fit and Proper requirements	21
B.3. Risk management system including the own risk and solvency assessment.....	22
B.4. Internal Control System	29
B.5. Internal audit function	30
B.6. Actuarial function	31
B.7. Outsourcing	31
B.8. Any other material information	32
C. RISK PROFILE	33
C.1. Underwriting risk.....	33
C.2. Market risk	37
C.3. Credit risk	39
C.4. Liquidity risk	40
C.5. Operational risk.....	42
C.6. Other material risks	43
C.7. Any other information	44
D. VALUATION for SOLVENCY PURPOSES	45
D.1. Assets.....	45
D.2. Technical Provisions	48
D.3. Other liabilities.....	50
D.4. Alternative methods for valuation	50
D.5. Any other information.....	50
E. CAPITAL MANAGEMENT	51
E.1. Own funds.....	51
E.2. Solvency Capital Requirement and Minimum Capital Requirement	54
E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.....	56
E.4. Differences between the Standard Formula and any other Internal Model Used.....	56
E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement.....	56
E.6. Any other information	56

Executive Summary

Introduction

This document has been compiled by Coverys Limited (hereafter “CL” or “the Company”) and is publicly disclosed in accordance with the Solvency UK regulatory regime for UK insurance companies. Solvency UK aims to unify the UK insurance market and enhance consumers’ protection by primarily addressing the amount of capital that companies must hold to reduce their insolvency risk.

This report covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management for the year ended on 31 December 2025. The Company’s Board of Directors have the ultimate responsibility for all these matters, supported by governance and control functions in place.

Company Background

The Company is a company incorporated in England and Wales and authorised by the Prudential Regulatory Authority on 26th June 2024 to carry out the following classes of non-life insurance business under the Prudential Regulation PS15/24 Review of Solvency II: Restatement of assimilated law (which is a restatement of Commission Delegated Regulation (EU) 2015/35 (CDR), Solvency II Regulations 2015 into Solvency UK):

Class 7 – Goods in Transit

Class 8 – Fire and Natural Forces

Class 9- Damage to Property

Class 13 – General Liability

The Company is a non-life insurance undertaking specialising in underwriting class 13 – General Liability business within the professional lines segment comprising of medical professional liability products across multiple client types and geographies.

Business and Performance

The Company’s financial year end is 31st December each year. The Company generated a net underwriting profit of £3.0m for the financial year ended 31 December 2025 (2024: £1.2m).

The Company’s assets are prudently invested, providing access to funds at short notice considering the liquidity requirements of the business and the nature and timing of the insurance liabilities.

Shareholders’ funds amounted to £46.4m at 31 December 2025 (2024: £46.4m). No dividend was

distributed during 2025 (2024: £Nil). The Company's Solvency UK Capital Requirement ratio which was 174% as of 31 December 2025 (2024: 325%).

System of Governance

The Company is subject to the Prudential Regulatory Authority's Corporate Governance requirements as set out in the PRA Rulebook.

The Company has established and maintains an effective system of governance responsibilities and reporting lines. CL has assessed its system of governance and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of the operations of the Company.

Refer to Section B for further information on the Company's System of Governance.

Risk Profile

The Solvency Capital Requirement (SCR) metric is used to assess the Company's ability to meet all its regulatory capital obligations under both normal and stressed conditions. The Company has determined the Solvency UK Standard Formula as defined by the PRA to be suitable for its business and implements it for the calculation of the SCR.

The following table outlines the risks to which the Company is exposed at year end 2025 along with prior year comparative figures.

Basic Solvency Capital Requirement	£m 2025	£m 2024
Market risk	10.5	1.5
Counterparty default risk	2.0	0.8
Non-life underwriting risk	12.6	6.4
Diversification	(5.1)	(1.1)
Basic Solvency Capital Requirement ("BSCR")	19.9	7.5
Operational risk	1.7	-
SCR	21.6	7.6

The SCR is £21.6m which is used to calculate the solvency position of the company.

Valuation for Solvency Purposes

The SFCR was prepared in line with the annual quantitative templates referred to in Prudential Regulation PS15/24 Review of Solvency II: Restatement of assimilated law and the values disclosed

within this document are according to the Solvency UK regime. As a result, values may differ from those reported in the Audited Financial Statements due to different valuation methods.

An analysis of the valuation of assets, technical provisions, and other liabilities per Solvency UK and per FRS 102 the Financial Reporting Standards applicable in the UK valuation is given in section D.1 and D.2 respectively. These sections provide detail on the difference between the two valuations, any judgements and assumptions made.

Capital Management

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and Minimum Capital Requirement (“MCR”) with an appropriate buffer. As part of own funds management, the Company prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. This forms the basis of the yearly Own Risk and Solvency Assessment (“ORSA”), contains a three-year projection of funding requirements and helps focus actions for future funding.

The company solvency position including the individual risks is as follows:

Solvency	Capital requirement, £m		Eligible capital, £m		Solvency ratio %	
	2025	2024	2025	2024	2025	2024
SCR	21.6	7.6	37.6	24.5	174%	325%
MCR	5.4	3.5	37.6	24.5	695%	700%

Auditors Report

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

Opinion

Except as stated below, we have audited the following documents prepared by Coverys Limited (the Company) as at 31 December 2025:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company, ('the Narrative Disclosures subject to audit'); and
- Company templates IR.02.01.02, IR.17.01.02, IR.23.01.01, IR.25.04.21, IR.28.01.01 (the Templates subject to audit').

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

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

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates IR.05.02.01, IR.05.04.02, IR.19.01.21; and
- The written acknowledgement by the directors of their responsibilities, including for the preparation of the Solvency and Financial Condition Report.

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

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2025 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report section of our report. We are independent of Coverys Limited. In accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw attention to the 'Valuation for solvency purposes' section of the Solvency and Financial Condition Report, which describes the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

In auditing the Solvency and Financial Condition Report, we have concluded that the director's use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included the following:

- The inspection and assessment of the Company's forecasts including an evaluation of the key inputs and assumptions to the forecasts; and
- The assessment of financial solvency under stressed conditions through inspection of the Company's Own Risk and Solvency Assessment.

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

Other information

The Directors are responsible for the Other Information.

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

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

Responsibilities of directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules.

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

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We determined the principal laws and regulations relevant to the Company in this regard to be those that relate to the prudential and supervisory requirements of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the Solvency and Financial Condition Report.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Company with those laws and regulations. These procedures included, but were not limited to, making enquiries of management and those responsible for legal and compliance matters. We also reviewed the correspondence between the Company and UK regulatory bodies and reviewed the minutes of the Board and Audit Committee to identify any indications of non-compliance.
- We also identified possible risks of material misstatement of the Solvency and Financial Condition Report due to fraud. We considered in addition to the no-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the reporting of events and transactions in the Solvency and Financial Condition Report relating to the valuation of the insurance contract provisions. To address this, we challenged the assumptions and judgements made by management when auditing this significant accounting estimate.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the Solvency and Financial Condition Report or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the Solvency and Financial Condition Report, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The same responsibilities apply to the audit of the Solvency and Financial Condition Report.

Report on other legal and regulatory requirements

Other Information

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency UK Company's, we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Use of our report

This report is made solely to the Directors in accordance with Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook for Solvency UK firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose. To the fullest permitted by law, we do not accept or assume responsibility to anyone other than the Directors, for our work, for this report, or for the opinions we have formed.

PKF Littlejohn LLP

Thomas Seaman (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: 13 April 2026

A. BUSINESS AND PERFORMANCE

A.1. Business

A.1.1 Name and legal form of the undertaking

The Company is a limited liability company with share capital.

The Company was authorised on 26th June 2024 by the Prudential Regulatory Authority (PRA) to carry out the business of non-life insurance in accordance with the provisions of the PRA Handbook. The PRA has designated CL as a category 4 firm based on the potential impact categories.

The Company is incorporated in England and Wales and is a private company limited by shares. Company Number: 14939984. Registered address: 25 Fenchurch Avenue, Level 1, London, EC3M 5AD.

A.1.2 Name of the Supervisory Authority responsible for the financial supervision of the undertaking

The Company is authorised and regulated by the Prudential Regulatory Authority (PRA) and regulated by the Financial Conduct Authority (FCA). The PRA can be contacted at: Prudential Regulatory Authority, 20 Moorgate, London EC2R. The FCA can be contacted at: Financial Conduct Authority, 12 Endeavour Square, Stratford Cross, London E20 1JN.

A.1.3 External auditor of the undertaking

The independent auditors of the Company are PKF Littlejohn LLP, 15 Westferry Circus, London, E14 4HD.

A.1.4 Holders of Qualifying Holdings in the Undertaking

The Company is a wholly owned subsidiary of Coverys UK Holding Co. Limited, a company incorporated in England and Wales. Registered address: 25 Fenchurch Avenue, Level 1, London, EC3M 5AD.

A.1.5 Legal Structure of the Group

The Company's ultimate parent company is Medical Professional Mutual Insurance Company ("MPMIC"), a company registered in Massachusetts, USA. MPMIC's registered address is One Financial Center, 13th Floor, Boston, MA 02111.

A.1.6 Related Undertakings

The Company does not have any related undertakings that it has control of or an obligation to report results on.

A.1.7 Material Lines of Business and Geographical Areas

The Company commenced trading during the financial year ending 31 December 2024. In compliance with the Company’s underwriting strategy and authorisation, the Company underwrites Class 13 General Liability business comprising medical professional liability products across multiple client types and geographies. Coverys medical malpractice products are split into the following sub-classes – Physicians Professional Liability, Facility Professional Liability, International Medical Professional Liability, Related Medical, Long-Term care and Life Sciences.

A.1.8 Significant business events during the reporting period

During the financial year ending 31 December 2025, there were no significant business or other events that occurred over the reporting period that merit disclosure.

A.2. Underwriting Performance

The Company wrote £44.0m (2024: £5.6m) in gross premium. In line with the Company’s reinsurance agreements, CL reinsured 80% of its risk to MPMIC on a quota share basis.

The Company writes various liability products, all defined as General Liability (Class 13). For the purposes of capital reporting these are categorised as:

Class of Business per Local GAAP	Solvency UK Line of Business
General Liability	General Liability
Non-proportional reinsurance - Casualty	Non-proportional reinsurance - Casualty

The Company has determined that Pound Sterling (“GBP”) is the functional currency.

Underwriting activities generated an underwriting profit of £3.0m for the financial year ended 31 December 2025 (2024: £1.3m). No claims were paid during the year. A net IBNR provision movement of £4.0m (2024: £0.1m) was booked based on expected loss ratios applied to the gross earned premium.

The table below illustrates the UK GAAP underwriting results for year-end 31 December 2025:

General Liability	£m	
	31/12/2025	31/12/2024
Gross premiums written (Direct)	44.0	5.6
Change in Unearned premium Reserves (Direct)	(15.4)	(4.5)
Earned premium direct	28.5	1.1
Outward reinsurance premiums ceded	(35.2)	(4.5)
Change in Unearned premium reserves (Ceded)	12.4	3.6
Net earned premium	5.7	0.2
Net Claims incurred	(4.0)	(0.1)
Operating expenses	(2.2)	(0.5)
Allocated investment return	3.5	1.7
Net Underwriting Profit	3.0	1.3

A.3. Investment Performance

A.3.1 Income and expenses arising by asset class

The Company has an investment strategy which complies with the requirements of “the prudent person principle”.

As at 31 December the Company’s investment portfolio comprised the following material asset classes under Solvency UK valuations:

Asset Class	£m		%of Portfolio	
	2025	2024	2025	2024
Government Bonds	23.8	27.3	31%	57%
Corporate Bonds	31.0	8.2	41%	17%
Cash and cash equivalents	7.2	9.0*	9%	19%
Collateralised Securities	14.4	3.5	19%	7%
Total	76.4	48.0	100%	100%

*Reclassified £5.5m from collective investment undertakings to cash and cash equivalents as accounting policy includes highly liquid investments with a maturity of less than 3 months within cash and cash equivalents. No net impact on total investment portfolio.

The table below sets out the investment returns by asset class:

Asset Class	£m	£m
	31/12/2025	31/12/2024
Government Bonds	1.0	-
Corporate Bonds	1.4	(0.1)
Cash and cash equivalents	0.3	1.9**
Collateralised securities	0.8	(0.1)
Total	3.5	1.7

**Reclassified £0.3m from collective investment undertakings to cash and cash equivalents as accounting policy includes highly liquid investments with a maturity of less than 3 months within cash and cash equivalents. No net impact on investment return.

The Company's investment yielded a positive return of £3.5m (2024: £1.7m).

A.3.2 Gains and losses recognised directly in equity

No gains and losses have been recognised directly in equity.

A.3.3 Investments in securitisation

There are no investments in securitisation.

A.4. Performance of Other Activities

There have been no other significant activities undertaken by the company other than its insurance and related activities.

A.5. Any Other Information

There are no other material matters in respect of the business and performance of the Company.

B. SYSTEM OF GOVERNANCE

B.1. General information on the system of governance

B.1.1 Structure and responsibilities of the Board of Directors

The Company is classified by the PRA as a category 4 firm based on the potential impact categories for the supervision of regulated firms.

CL has established and maintains an effective system of governance with clear responsibilities and reporting lines. The system of governance is subject to regular review to ensure that it remains appropriate, reflects current requirements and changes in the organization.

The Company's Board of Directors ("the Board") carries overall responsibility for the effective, prudent and ethical oversight of the business and sets its business strategy and risk appetite. The Board meets on a quarterly basis, or more frequently as required.

The current composition of the Board is as follows:

Name	Position	SMF
Stefan Raftopoulos	CEO	SMF 1
Michael Bell	CFO	SMF 2, SMF 3
Colin Charles	Independent non-executive director and Chair of Board, Remuneration and Nominations Committee	SMF 9, SMF 12, SMF 13
Joseph Murphy	Group non-executive director	SMF 7
Rob Littlemore (wef 01/08/2025)	Independent non-executive director	
Catherine Farnworth (wef 01/09/2025)	Independent non-executive director and Chair of the Audit, Risk and Capital Committee	SMF 10 & SMF 11 (wef 01/12/2025)

David Hipkin the previous SMF10 & SMF 11 resigned as an iNED on 01/12/2025.

The Board is responsible for the effective, prudent and ethical oversight of the Company. The role of the Board includes the following:

- providing leadership and setting business strategy;
- establishing a prudent and effective control framework which enables risk to be managed and assessed;
- ensuring that adequate financial and human resources are in place;
- reviewing management performance;

- ensuring compliance with laws, regulations and administrative provisions adopted pursuant to the Solvency UK framework; and
- developing policies, either directly or through delegation to its Board Committees, for the effective control of the Company.

The detailed role and responsibilities of the Board are clearly documented in the Board Terms of Reference (including Matters Reserved) which are reviewed on an annual basis. These were last reviewed and approved by the Board on 17/12/2025. During 2025 an independent review of the effectiveness of the Board was completed by an external consultancy which concluded there were no material issues with the operation of the Board and its sub-committees.

B.1.2 Board and Management Committee Structure

The Company is managed via the committee structure set out below, with said committees reporting either to the Board or to the Executive Committee Chaired by the CEO, who in turn reports to the Board. Terms of Reference have been approved by the Board for all sub-committees, which set out the respective roles and responsibilities of each committee.

Audit Risk & Capital Committee (ARCC)

The Audit, Risk & Capital Committee is a committee of the Board whose primary purpose is to:

- provide the Board with oversight and assurance of the financial reporting process, the audit process, the Company's system of internal controls and an enterprise risk management system including the effectiveness of risk appetites, tolerances and associated controls;
- recommend adequate internal capital and own funds to ensure the Solvency Capital Ratio stays within the Company's approved range through proactive risk management; and
- identify other potential threats and risks which should be considered.

Duties and responsibilities include:

- establishing, maintaining and assuring that the Internal Audit function has sufficient authority and resources to fulfil its duties and given unrestricted access to records, information, physical property and personnel necessary to carry out its duties;
- making recommendations to the Board concerning the appointment, retention and oversight of the External Auditors and approve their compensation and terms of engagement;
- oversight of submissions and monitor the integrity of the financial statements and regulatory returns, reviewing significant judgements contained therein;
- making recommendations to the Board concerning the approval of reserves for financial accounting and Solvency UK purposes;
- periodically review the ORSA, capital setting process and associated policies required under Solvency UK and making any required recommendations concerning the approval of any of these to the Board;
- oversight of the Risk Management function of the Company, to ensure the development and maintenance of an effective risk management framework; and
- reviewing and approving the annual risk-based Compliance Plan including considering the adequacy of the resources needed to fulfil the Plan.

Executive Committee

The Executive Committee is a sub-committee of the Board, chaired by the CEO. The main purpose of the Executive Committee is to:

- develop and implement the Company strategy, operational plans, policies, procedures and budgets;
- drive and monitor operating and financial performance;
- promoting the Company's culture and core values;
- assess and control risk in line with the Company's Risk Management Framework;

- prioritise and allocate appropriate resources;
- balance the interests of relevant stakeholders (including employees, policyholders, regulators, suppliers, capital providers, the Coverys Group and the wider public);
- uphold the integrity, brand and reputation of the Company; and

Investment Management Committee

The Investment Management Committee is a committee of the Board and its purpose is to oversee and ensure appropriate management and governance of the Company's pool of investment assets. Its primary duties include:

- make recommendations to the Board regarding policy and strategy for the investment of assets having regard to Regulatory requirements or constraints;
- implement the investment policy and strategy which has been formally agreed by the Board;
- ensure the investment controls are adequate, including the supervision of the premium trust fund investment managers, counterparty exposure, liquidity position, concentration risk and security of investment counterparties and / or products;
- review and recommend the appointment of an investment manager based on agreed terms of reference, limits of authority, reporting obligations and fees;
- review and report on the investment managers' performance against key performance indicators and risk controls including counterparty exposure, liquidity position, concentration risk and security of investment counterparties and / or products;
- monitor, review and control fees charged by the investment managers;
- set minimum liquidity levels to enable cash requirements to be met as they fall due having regard to the cashflow needs and in conjunction with the investment managers; and
- consider the output of the standard formula capital calculation and as a consequence make recommendations to the Board for amendments to policies and strategy.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee is a committee of the Board and its purpose is to:

- oversee senior appointments requiring regulatory approval or notification and to identify appropriate candidates for such positions.
- oversee remuneration of all staff including Directors, to receive assurance that Coverys Limited operates a transparent and appropriate appraisal process and remuneration and bonus regime.
- ensure that the remuneration strategy and policies of Coverys Limited: (1) support and reinforce the Coverys Group culture; (2) promote sound and effective risk management and does not encourage excessive risk taking; (3) are aligned with the long term interests of the Company and its policyholders; (4) support positive customers outcomes; and (5) avoid

incentivizing mis-selling, unfair treatment or breaches of the Consumer Duty. This includes having regard to the expectations and rules of the Prudential Regulation Authority and Financial Conduct Authority.

- receive assurance that Coverys Limited maintains an appropriate succession planning framework and operates suitable processes for appointing any position requiring regulatory authorisation or notification.

Underwriting & Claims Committee (UCC)

The Underwriting & Claims Committee is a sub-committee of the Executive Committee which in turn reports to the Board. The key purpose of the UCC is to provide a forum to oversee the effectiveness of the business of underwriting and claims management carried out by Coverys Limited as follows:

- full consideration and review of all matters relating to the tactical implementation of the Underwriting business within the framework of the company strategy, including assessment of any new business opportunities
- monitoring risk and control issues relating to underwriting operations
- to oversee the claims management function on behalf of the Board and from the perspectives of Regulatory compliance; Customer and service; Planning; Operations, Best Practice and Performance Management

Reserving Committee

The Reserving Committee is a sub-committee of the ARCC. Its primary responsibilities include:

- ensuring compliance with the Company's Reserving Policy;
- recommending Ultimate, GAAP and Solvency UK Technical Provisions to the ARCC and reviewing associated documentation;
- reviewing the effectiveness of Reserving and Technical Provisions processes and recommending any changes to associated principles, policies, processes and resources to the ARCC for consideration;
- providing feedback to the Actuarial Function on the Technical Provisions component of the Actuarial Function Report;
- consideration of independent peer reviews and recommendations for appointment to the ARCC;
- ensuring that regulatory requirements relating to Reserve and Technical Provisions setting are appropriately considered; and
- consider any new near miss or loss events.

B.1.3 Independent Control Functions

The Company has three key control functions and the structure is aligned to the 'Three Lines of Defence' risk governance model. These functions, each possessing distinct responsibilities, are tasked with providing oversight of and challenge to the business and for providing assurance to the Board and its sub-committees on the strength of the internal control framework in managing risks.

Risk Management Function

The Company has appointed a Chief Risk Officer who is responsible for the Risk Management Function. Refer to section B.3.2 of this report for further information on the implementation of the Risk Management Function.

Compliance Function

The Company has appointed a Head of Compliance who is responsible for the Compliance Function. Refer to section B.4.2 of this report for further information on the Compliance Function.

Internal Audit Function

The Company conducted a tender process in Q2 of 2025 for the provision of an outsourced Internal Audit service, with Forvis Mazars being appointed as the Internal Auditors. Refer to section B.5 of this report for further information on the Internal Audit Function.

B.1.4 Material changes in the system of governance

No material changes to the systems of governance in 2025.

B.1.5 Remuneration policy and practices

The Company has a Remuneration Policy, which has been approved by the Board. Coverys is committed to attracting, motivating and retaining talented staff through remuneration that is both fair and competitive. This Policy sets out the framework for the remuneration of staff working for Coverys, ensuring compliance with all relevant legal and regulatory obligations (notably the PRA's Conditions Governing Business, Section 3A), and aligning with the long-term interests and risk management practices of Coverys.

The remuneration framework comprises two elements:

- i. fixed pay (which includes base salary, benefits and pension); and
- ii. annual bonus (reward for personal and business performance).

Personal performance is formally assessed against an agreed set of individual objectives.

Base salary and bonus decisions are aimed at avoiding conflicts of interest and will not incentivise improper conduct.

The Remuneration and Nominations Committee, a sub-committee of the Board, has oversight of the remuneration decisions for material risk takers i.e. Board members, SMFs (Senior Management Functions).

B.2. Fit and Proper requirements

B.2.1 Requirements for skills, knowledge and expertise

The Senior Managers and Certification Regime (SMCR) introduced by both the FCA and PRA aims to reduce harm to consumers and strengthen market integrity by creating a system that enables firms and regulators to hold people to account.

The PRA and FCA provide regulatory approval for persons performing Senior Management Functions (“SMF”) within regulated financial service firms under the SMCR. These are the most senior decision makers in the company with the greatest potential to cause harm or impact upon market integrity. The Certification Regime also applies to other functions that aren’t SMFs but can have a significant impact on customers, the company and/or market integrity. These individuals are referred to as Key Function Holders (KFHs). For both SMFs and KFHs the company has a responsibility for ensuring that these people are suitable to perform their roles.

The Company has a SMCR Policy which ensures that:

- SMFs have a Statement of Responsibilities setting out their role and responsibilities and prescribed responsibilities aligned to key conduct and prudential risks;
- a Management Responsibilities Map is maintained of the company’s management and governance arrangements;
- maintenance of handover notes for senior managers;
- KFHs have obtained the appropriate qualification, undergone training and possess a level of competence;
- assessment of whether a SMF or KFH is fit and proper to do their job prior to appointment and on an annual basis i.e. criminal records checks, regulatory references, financial soundness;
- the enhanced Conduct Rules that apply to senior managers are followed in addition to Individual Conduct Rules.

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

B.3.1 Risk management system

To facilitate a structured approach to risk-taking, an Enterprise Risk Management ('ERM') system is embedded in the Company's system of governance. The ERM system is designed to support decision-making procedures by providing consistent, reliable and timely risk information and protecting capital from risks that exceed established risk tolerances. These risk tolerances define the Company's willingness and ability to take risk overall and with respect to specific types of risks having regard to circumstances that may arise, and the actions undertaken in response to those circumstances.

The Board delegates oversight of the risk management framework to the ARCC. The ARCC makes recommendations to the Board on current risk exposures, risk appetite and future risk strategy, as well as overseeing the risk management function.

CL uses an internal database for its risk management activity, to operationalise key elements of the risk management framework including the risk and control register.

In order to facilitate risk-taking in an informed and disciplined manner, the Company manages individual risks through a continuous cycle of identification, assessment, management, monitoring and reporting with regular review. Documentation of this cycle ensures corporate knowledge is preserved and assurance of due process provided to the Board. The steps of the risk management cycle are outlined below.



Identify

The risk management cycle begins with identifying the risks which CL is exposed to. This is done in collaboration with the relevant staff and teams with responsibility for each business area. As the risk environment is constantly evolving, an important aspect is continual re-assessment to ensure any new or emerging risks are also identified. Key Risk identification and assessment processes include:

- maintenance of the Risk Register / Risk Assessment Process;
- regular meetings with risk owners;
- stress and scenario framework; and
- monitoring of Emerging risks through consultation and monitoring external development.

Assess

A key component of the Risk Control Cycle is the Risk Assessment process, reported through the Risk Register and described below as follows. Identified risks are assessed and challenged on the basis of probability and severity and inherent risk scores arising from these risk events are documented.

Manage

Having identified risk categories, risk events and capturing these alongside risk appetite in the risk register, it is possible to establish the control environment.

The design of the control environment has the following desired outcomes:

- provide a control framework that mitigates the risk events for each risk category to within the risk appetite approved by the CL board;
- provide comfort to the CL board that the procedures and controls in place are effective and appropriate and ensure compliance with laws and regulations; and
- ensure that controls are being signed off by the relevant control owners in the business.

Monitor/Report

The business monitors performance and control owners confirm whether the controls have operated effectively. These sign offs are reviewed by the risk owners who will review the assessment as part of their management of the risks.

Validation

The risk management team provides independent and constructive challenge to the first line of defence. The risk management team reports control performance and the comparison of residual risk against risk appetite each quarter. This assessment follows a market standard approach of using controls to reduce the inherent risk to a residual risk that is within risk appetite. Therefore, if sufficient controls fail such that the risk is flagged as red (and if there are no compensating controls), this implies that CL is operating outside risk appetite.

The internal audit function performs independent risk-based assessments to provide assurance to the ARCC that the control environment is operating as expected.

The Board formally reviews the relevant risk appetite statements, risk appetite levels and emerging / strategic risk at least annually to test that the risk assessment and control environment is operating appropriately.

Risk Reporting

The risk management reporting framework ensures reporting and escalation is timely and effective, to enable senior management to view how the CL risk profile has changed over the course of time and whether risks are being managed in line with CL's risk appetite.

Risk reporting must:

- present an accurate, clear and timely picture of existing and emerging risk issues, risk exposures and risk management activities to highlight threats to achievement of business objectives and support the optimisation of performance;
- provide demonstrable evidence that CL is managing its risks, which provides assurance to the management, non-executives, regulators, investors and other stakeholders; and
- support executive management in meeting their responsibilities by facilitating the escalation of matters in a timely manner.

The risk management function provides three types of risk reporting:

- risk management reporting to executive management committees to assist them perform their first line of defence oversight of the risk events for which they are responsible;
- risk management reporting to the ARCC to assist this committee perform its oversight of the whole risk management framework; and
- risk management reporting to the CL Board to assist them to fulfil their management oversight responsibilities.

B.3.2 Implementation of the Risk management system

The Company recognises the need to have appropriate governance, monitoring and reporting processes and procedures which enable the Company to identify, assess, manage, monitor and

report the risks it is or might be exposed to.

Appropriate internal reporting procedures and feedback loops ensure that information on the risk management framework is actively monitored and managed by all relevant functions, committees and the Board.

A “three lines of defence” approach runs through the risk governance structure so that risks are clearly identified, owned and managed:

- **First Line:** Business management takes risks and are responsible for day-to-day risk management. Functional areas and outsourced service providers will collaborate with the Company’s Risk Management function on ownership of business processes, risks, controls and frameworks to ensure risks are identified, mitigated and monitored.
- **Second line:** Governance and control functions such as Risk Management and Compliance, help business management manage and control specific types of risks.
- **Third line:** The Internal Audit function provides independent assurance and testing regarding the effectiveness of the ERM framework and risk controls.

The Risk Management Function monitors overall risks, including specific risk-types, and escalates through the system of governance any such risks that exceed the Company’s risk tolerance, as described in the next section. The Risk Management System is embedded in decision-making across the business including for capital, insurance, reinsurance and investment management.

The Compliance Function forms a key part of the Company’s internal control system to identify, assess, monitor and report on the compliance risk exposure of the Company. The Compliance Function shares its responsibilities with other Company Functions that are responsible for their specific areas.

The responsibilities of the Internal Audit function are set out in the Company’s Board-approved Internal Audit Policy. The Internal Audit Function reports to the ARCC.

B.3.3 Own Risk and Solvency Assessment

Own Risk Self-Assessment (ORSA) process

Solvency UK requires insurers, as part of their risk management system, to perform an ORSA at least annually. The ORSA process is a fundamental element of the Enterprise Risk Management Framework in CL. The ORSA can be defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks a (re)insurance undertaking faces or may face and to determine the own funds necessary to ensure that the undertaking’s overall solvency needs are met at all times.

This will include analysis to determine solvency in both the short and longer term such that funds held are commensurate with the risks to which it may be exposed. The ORSA therefore represents the Company’s own view of the risk profile of the business and the level of capital required to support it.

An ad-hoc ORSA will be produced when there has been a material change to the risk profile or the environment within which CL is operating. An ad-hoc ORSA is produced when the trigger conditions are met outside of the usual ORSA production cycle.

Key elements of the ORSA assessment include:

- (a) overall Solvency Needs, taking into account the specific risk profile, approved risk tolerance limits and the business strategy of the undertaking;
- (b) compliance, on a continuous basis, with the capital requirements and with the requirements regarding technical provisions; and
- (c) the significance with which the risk profile of the undertaking deviates from the assumptions underlying the Solvency Capital Requirement.

Requirements in relation to Overall Solvency Needs relate to the identification, quantification and management of material risks facing the Company, both immediately and over the period of the business plan. These material risks, and the ability to withstand them in terms of economic and solvency capital, are considered through the use of adverse shock stresses and scenarios quantified both immediately and over the period of the business plan. Reverse stress testing is also considered in terms of how they are being monitored and managed appropriately by the Company.

Governance of the ORSA process is set out within the Board-approved ORSA Policy.

The ORSA process is embedded within the Company's ERM framework and aligns with the capital management processes. The risk and capital assessments, and conclusions arising, are used within business decision-making processes, including the ongoing development of the Company's strategy, business planning, product development and capital management policy. The Board is responsible for directing and overseeing the ORSA process.

Stress Testing Framework

Stress and Scenario testing ('SST') encourages CL to think about what might happen, either now or at some stage in the future, so as to assess how it might impact the business. By considering SST in a structured way, it can generate ideas on how to grow the business, or how to position it so as to avoid potential losses (or maximise certain gains). It can help you identify new opportunities, or areas where current business models are threatened.

Sensitivity Analysis

Sensitivity tests are used to understand the robustness of the capital assessment and how it may change with amendments to the assumptions which underpin it. This analysis is useful in focusing resources towards those factors which are most impactful on solvency. The Actuarial department provides actuarial resources in relation to understanding the impact to capital and the SCR of various stresses, scenarios and reverse stress tests.

Stress & Scenario Tests

A suite of stresses and scenarios are maintained by the risk management function, with assistance from other functions, including the Chief Actuary, to comprehend and quantify the risks to the Company operating in plausibly extreme, adverse situations. Business performance under these conditions is assessed to allow the company to ensure that the most appropriate control mechanisms are put in place should such situations occur.

Reverse Stress Testing

Reverse stress testing considers those scenarios that are most likely to render the current business model unviable. The reverse stress test is designed to encourage CL to test the business model and develop a greater understanding of the vulnerabilities in this model. This allows the Board to determine whether any triggers or mitigating actions should be put in place should the scenario develop. It is separate but complementary to other stress tests. The reverse stress test calculates the scenario required to decrease the SCR to 100% or below.

Emerging Risks

A emerging risk register of strategic and emerging risks will be maintained. The outcome of the review, including any actions, are summarised in the ORSA report.

Use of the ORSA results

The ORSA is an integral part of the business strategy, and the Board shall take the ORSA into account on an on-going basis in the strategic decisions, operational and management processes of the Company.

The ORSA allows the Board to understand:

- the risk profile of the Company and the key drivers of the risk profile;
- risks that should be monitored more frequently;
- any material changes to the risk profile over the most recent period;
- risks not covered in the regulatory SCR;
- what actions need to be taken if certain risks were to materialise;
- areas for improvement in risk management;
- whether there is sufficient available capital to support the current business plan; and
- assist with regulatory supervision and help the Board to articulate their stewardship and governance of the Company.

B.3.4 ORSA review and approval process

The risk management process and ORSA is performed on an annual basis or when there is a material change in the Company's business plan. The risk monitoring is performed on an on-going basis and the Risk Register is annually reviewed and updated during the ORSA review process.

The Board requires that the ORSA process produces meaningful reports on the adequacy of the Company's capital and that it includes risk sensitivities that can be used in shaping strategy and risk appetite.

The Board reviews the ORSA report and considers appropriate action for the business such as:

- decisions in relation to capital;
- reassessment of risk profile and appetite;
- additional risk mitigation actions;
- reassessment of investment strategy; and
- significant changes in other categories - Capital Shortage Risks/quality of capital etc.

Under the following circumstances, a non-scheduled ORSA shall be performed immediately (in addition to the scheduled ORSA):

- significant change in the risk profile of the Company which can be defined as a major change to the business strategy or business activities;
- significant changes to non-financial matters - operational / regulatory risks and legal /strategic / group risks; and
- significant changes in other categories - e.g. risks relating to capital shortage or a change in the quality of capital etc.

B.3.5 Overall Solvency Needs

The Company determines the solvency capital and assesses the overall solvency needs using the Solvency UK standard formula.

A three-year base case projection of the Solvency UK Balance Sheets and Solvency Capital Requirements position is produced using the standard formula on the basis of actuarial assumptions. The results are subjected to a range of scenario testing that is set by the Board and, where appropriate, potential management actions are noted and conclusions drawn. The Chief Actuary additionally undertakes a review of the scenarios within the Company's ORSA.

B.4. Internal Control System

B.4.1 Description of the internal control system

The Board of Directors is ultimately responsible for the internal control framework, including approval of the Company strategy and business planning. Oversight of the control framework is provided by the ARCC, which reports and makes recommendations to the Board on the strength of the framework and the accuracy and timeliness of financial and regulatory reporting.

The Internal Control Framework of the Company comprises three elements, as previously detailed in section B3.2:

- first line of defence: “day-to-day” operations and associated controls;
- second line of defence: oversight from compliance and risk management functions; and
- third line of defence: independent assessment, internal and external audit.

B.4.2 Implementation of the Compliance Function

The Board of Directors has ultimate responsibility for ensuring the company satisfies its regulatory objectives. They are assisted in this by a Head of Compliance, who supplements and does not supplant the responsibilities of the Board to ensure compliance with legislation and applicable requirements.

The responsibilities of the compliance function include:

- assisting the Board with ensuring ongoing compliance with legislation and applicable requirements;
- enhancing the Company’s awareness of compliance matters;
- monitoring the Company’s compliance with (re)insurance legislation and applicable requirements and guidelines and recommending any enhancements;
- documenting any regulatory breaches, ensuring that appropriate action is taken to manage and escalate the breach and ensuring any controls are enhanced to prevent recurrence;
- ensuring the Board is notified of new and emerging regulation, legislation or guidelines that will impact the Company; and

The Head of Compliance is a member of the Executive Committee and provides regular updates on:

- regulatory developments including consultation papers;
- progress against the Compliance Plan;
- compliance monitoring activity; and

- compliance risk events.

An annual Compliance Plan is prepared by the Head of Compliance and submitted to the ARCC for approval. It sets out the regulatory environment, key compliance risks and monitoring activity.

B.5. Internal audit function

B.5.1 Implementation of the internal audit function

The Board has delegated responsibility for oversight of the Internal Audit (IA) Function to the ARCC.

In 2025 the ARCC approved the issue of a request for proposal to secure a new outsourced IA provider. In Q2 the ARCC approved the appointment of Forvis Mazars to provide an outsourced IA service.

An Internal Audit Charter has been agreed with Forvis Mazars and approved by the ARCC which outlines the purpose, authority and responsibilities of the Internal Audit function. Its role is to:

- Undertake a programme of audits agreed annually with the ARCC, which supports adherence with good corporate governance; compliance with relevant policy, regulations and legislation; the safeguarding of assets; and the reliability and integrity of management information.
- Help Management accomplish its objectives by applying a systematic, disciplined approach to evaluate the adequacy and effectiveness of risk management, control and governance processes;
- Add value by identifying where operations and business processes, controls and management of risks can be improved, making practical recommendations and through the promulgation of identified best practice.

IA will provide assurance through an audit plan approved annually by the ARCC. IA will report its findings to Executive Committee and the ARCC.

B.5.2 Independence of the internal audit function

IA derives its authority from the Board, through the ARCC, and senior Executive. The work of IA, in achieving its remit, is fully sponsored by the ARCC and Senior Management.

IA does not perform tasks which would impair its objectivity; neither has it any direct operational responsibility for, nor authority over, the activities it audits. It must also be free from conflicts of interest, any direct management control or supervision and deliver its services in accordance with the highest standards of integrity and objectivity whilst maintaining confidentiality. If the Head of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

B.6. Actuarial function

The responsibilities of the Chief Actuary include:

- co-ordination of the calculation of the TPs;
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of the TPs;
- assessing the sufficiency and quality of data;
- expressing an opinion on the Underwriting Policy;
- expressing an opinion on the Technical Provisions (“TPs”);
- expressing an opinion on the Reinsurance Arrangements; and
- contribution to the Risk Management framework, particularly the ORSA process.

B.7. Outsourcing

The Company has a Third Party Contracts Policy: Outsourcing and other Third Party Arrangements (the “Policy”) which sets out the requirements for identifying, justifying and implementing third party arrangements including any material outsourcing. This Policy has been adopted by the Company and includes the following:

- definition of critical and non- critical third party arrangements, outsourcing and critical outsourcing;
- roles and responsibilities;
- risk mitigation strategies;
- board and management responsibility;
- assessment of third party arrangement including due diligence requirements;
- Business Continuity Management (BCM), including Exit Strategies;
- contractual arrangements;
- management and control of the relationship with the third party provider;
- regulatory notifications; and
- intra-group outsourcing.

The Company's outsourcing arrangements are subject to annual review and the findings of the report, along with the Policy, are reviewed by the Board.

The following is a list of the key and or important outsourced operational functions:

- IT Infrastructure and systems;
- London market message processing;
- investment management; and
- internal audit.

B.8. Any other material information

Apart from those detailed in Section B1.1., no material changes regarding the system of governance of the Company took place.

B.8.1 Adequacy of the system of governance

The Company has assessed its corporate governance system and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of the Company's operations.

C. RISK PROFILE

The Company has established its risk management framework to ensure that all the current and future material risk exposures are identified, measured, managed, monitored and reported in accordance with the Company's risk appetite statement and key tolerance limits.

Risks are measured on an inherent and residual basis with the likelihood of the event occurring and the severity of the event occurring. Key Risk Indicators are monitored to identify trends or changes in risk exposures. Inherent risk exposures are continually monitored and are mitigated through controls.

The Company's material risks are captured within the ORSA process and are considered to be appropriately reflected within the standard formula and Company's own solvency needs.

C.1. Underwriting risk

C.1.1 Key underwriting risks

Underwriting risk arises from two sources – premium risk (pricing) and adverse claims development (reserve risk). Non-life underwriting risk at 31st December 2025 constitutes 58% (2024: 84%) of the SCR.

The key underwriting risks to which the Company are exposed to are set out below:

Non-life premium risk

For a non-life insurer, underwriting risk is the risk arising from non-life insurance obligations in relation to the perils covered and the processes used in the conduct of business.

CL's underwriting objective is to profitably grow the business by underwriting selected insurance risks within the risk appetite of the Company.

Key underwriting risks are the following:

Key Risks	Mitigating Controls
<p>Execution of Underwriting Plan There is a risk that the premium volumes forecast in the business plan might not be achievable due to the lack of renewals and/or new business opportunities</p>	<p>A report is produced whereby the premium by COB is reviewed on a monthly basis to show month on month changes and presented to the EXCO and quarterly to the UCC</p>
<p>Unknown portfolio & Non-Reinsured Accumulations There is a risk that risks and material endorsements are written but not recorded potentially leading to mismanagement of the book against plan and unknown portfolio and reinsurance accumulations</p>	<p>The premium numbers forecast against actuals are submitted monthly for challenge to the EXCO and quarterly to the UCC</p> <p>Comprehensive data is entered into Xuber and UI in line with all DQ requirements, with the overall control being that risk and premium is notified to Coverys via messaging</p>
<p>Counterparty default There is a risk that a material Counterparty defaults on payments leading to a reputational risk</p>	<p>CUO ensures that there are TOBAs in place prior to writing a risk</p> <p>Head of Underwriting Management ensures that due diligence is carried out on all new brokers</p> <p>Aged Debt report is monitored so that the counterparties can be followed up with. As reported to EXCO.</p>
<p>Inadequate Pricing There is a risk that policies are not priced accurately which impacts the profitability targets and therefore not achieve plan</p>	<p>The pricing models are reviewed annually to ensure the parameters are fit for purpose for each LoB and presented to UCC</p> <p>All outputs from the pricing model are reviewed by a member of the actuarial team for sign-off</p> <p>Technical pricing models are updated with any changes outside of the annual cycle and subsequently reapproved at the UCC</p>

Underwriting risk is mitigated by underwriting and legal environment due diligence and actuarial review of pricing and reserving prior to on-boarding of new business. Monitoring controls are in place to ensure that business is written in accordance with approved pricing and other underwriting criteria such as use of specific product wordings, underwriting risk appetite and referral of risks to the Company.

Until the Company reaches a portfolio of critical mass, it has a risk of exposure to large individual losses. This risk is mitigated by reinsurance arrangements to protect the Company's net retained exposure against a single risk or an accumulation of similar risks.

Non-life reserving risk

The Company establishes provisions for outstanding claims which represent the estimated ultimate cost of settling all claims (including direct and indirect claims settlement costs). The reserves include provisions for claims incurred but not reported (IBNR). IBNR is largely an estimate of loss and claim adjustment expenses associated with likely future claims activity. A pattern is used to estimate IBNR amounts and the timing of those amounts.

The Company is exposed to the risk that reserves are insufficient to cover ultimate claim costs. This risk is mitigated by actuarial review, data accuracy guidelines and on-going monitoring and review of losses.

Key Risks	Mitigating Controls
<p>Inadequate Reserving There is a risk of inadequate reserving which could result in reputational and regulatory risk</p>	<p>Reserving report reviewed and signed off by Chief Actuary and presented to ARCC</p>

Material risk concentrations

The Company currently writes medical professional liability business in the US & UK markets with the majority being sourced via US surplus lines brokers. The Company uses reinsurance protection to reduce the exposure of concentration risk within its underwriting portfolio. In the future, and subject to regulatory approval if required, the Company intends to diversify into other lines of business and other territories which will further reduce its concentration risk.

Key Risks	Mitigating Controls
<p>Concentration Risk There is a risk of concentration in one sub-class of business and or one broker making CL vulnerable to loss if that exposure performs poorly or relationship withdrawn</p>	<p>A report is produced whereby the premium as well as exposure by COB is reviewed on a monthly basis to show month on month changes and presented to the EXCO and quarterly to the UCC</p>

Reinsurance

The Company has identified the risk of insufficient reinsurance protection as a material risk. Reinsurance strategy and risk retention are reviewed on a regular basis to ensure that the existing programme structures and strategies continue to be appropriate for the Company's strategic objectives. A further mitigant is a gap analysis that is also carried out between the policy wordings and reinsurance coverage to ensure coverage is aligned to the risk appetite.

Key Risks	Mitigating Controls
<p>Reinsurer Dispute There is a risk that a reinsurer does not provide coverage</p>	<p>Quota Share with MPMIC monitored to ensure CL maintains the agreed amount with funds withheld by providing quarterly statements for MPMIC to agree</p>

C.1.2 Assessment and risk mitigation techniques used for underwriting risks

The Company monitors and controls risks via various methods, including:

- having in place clear underwriting and reserving philosophies and procedures and controls in relation to pricing and reserving;
- assessing insurance risks with quality underwriting and claims expertise and information;
- retaining risk within an approved risk appetite and solvency requirements;
- monitoring changing environment and market conditions that affect risk;
- reporting of actual positions against the Company's risk appetite metrics takes place on a quarterly basis as part of the Company's regulatory reporting process;
- the ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions; and
- independent opinion on the reasonableness and adequacy of the overall underwriting policy is provided by the Chief Actuary on an annual basis.

C.1.3 Material risk concentrations

The Company currently writes medical professional liability business to wholesale broking teams from multiple client types from the US and UK. The Company uses reinsurance protection to reduce the concentration risk within its underwriting portfolio. In the future, and subject to regulatory approval if required, the Company intends to diversify into other lines of business and other territories which will further reduce its concentration risk.

C.1.4 Risk sensitivity for underwriting risk

The Company carries out stress and scenario testing as part of the ORSA process, which includes stress testing for the material underwriting risks, and the projected solvency position over the business planning period was re-calculated following adverse stresses. Further detail in relation to stress testing and sensitivity analysis can be found in section C.6.1.

C.2. Market risk

C.2.1 Material market risks

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both value of assets held and value of liabilities. The objective of the Company in managing its market risk is to ensure risk is managed in line with the Company's risk appetite. The Company has established policies and procedures in order to manage risk and methods to measure it.

The Company's investment portfolio is managed by NEAM in accordance with the Company's Investment Policy and Investment Strategy. The investment manager reports quarterly to the Investment Committee.

Market risk is arrived at using the assumptions and calculations methods contained in the Standard Formula.

Key market risks are set out below:

Key Risks	Mitigating Controls
<p>Adverse movements in interest rates / credit spreads / FX rates</p> <p>There is a risk due to losses from factors that affect the overall performance of the financial markets</p>	<p>The investment performance is regularly monitored against the investment guidelines to ensure compliance</p> <p>Any deviations from the investment policy and/or guidelines requires approval by committee</p> <p>All investments invested by NEAM are reviewed and challenged where appropriate demonstrated by minutes from investment committee</p>

The table below outlines the material components of the market risk module as at 31 December 2025.

31/12/2025	£m 2025	£m 2024
SCR Interest rate	3.5	1.4
SCR Equity	-	-
SCR Spread	1.6	0.4
SCR Concentration	-	-
SCR Currency	8.3	0.1
Diversification within market risk module	(2.9)	(0.5)
Total market risk	10.5	1.5

Concentration risk: Market risk concentration may occur due to lack of diversification in the investment portfolio, which may lead to a large exposure in a foreign currency, asset class or issuer. A capital charge of £nil (2024: £nil) arises from the concentration risk associated with the Company's investments.

Spread risk: Spread risk is the sensitivity of the value of investments, primarily bonds and deposits in respect of the Company, to changes in the level or in the volatility of credit spreads. Spread risk is linked to the credit rating of assets held and the effect of a market change in the credit curve. An undiversified charge of £1.6m (2024: £0.4m) is applied for the spread risk associated with the Company's investment portfolio.

Interest rate risk: the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets arising from changes in underlying interest rates. A capital charge of £3.5m (2024: £1.4m) arises from the interest rate risk associated with the Company's investments.

Currency risk: Currency risk arises from the Company's exposure to higher or lower returns as a direct or indirect result of fluctuations in the value of, or income from, specific assets or liabilities arising from changes in underlying exchange rates. A capital charge of £8.3m (2024: £0.1m) arises from the exposure to investments held in foreign currencies.

Equity risk: Equity risk is the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities. The capital charge of £Nil (2024: £Nil) arises from the Company's investments.

C.2.2 Prudent person principle applied to market risks

The Company applies the prudent person principle when managing its market risk exposure by adhering to the requirements of the Board approved Investment Policy and Liquidity Risk management Plan. Surplus funds are invested in a high quality and conservative investment portfolio, taking into account the liquidity requirements of the business and the nature and timing of

the insurance liabilities.

C.2.3 Assessment and risk mitigation techniques used for market risks

The Company monitors and controls market risks via various methods, including:

- compliance with the Investment Policy and Asset Liability Management Policy as approved by the Company's Board of Directors;
- retaining risk within an approved risk appetite and solvency requirements;
- diversifying and limiting investment risk through ongoing review and management;
- monitoring changing environment and market conditions that affect risk;
- reporting of actual positions against the Company's risk appetite metrics takes place on a quarterly basis as part of the Company's regulatory reporting process;
- the ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions.

C.2.4 Risk sensitivity for market risks

See section C6.1 for information on stress testing and sensitivity analysis for all the risk categories.

C.3. Credit risk

C.3.1 Material credit risks

Credit risk at 31 December 2025 constitutes 8% (2024: 9%) of the BSCR.

Credit risk is the risk that the Company is exposed to lower returns or loss if another party fails to perform its financial obligations towards the Company. The counterparty default risk module in the Standard Formula is mainly driven by cash at bank and the reinsurer's share of technical provisions.

The material credit risks as at 31 December 2025 relate to the reinsurance arrangements with MPMIC.

C.3.2 Prudent person principle applied to credit risks

The Company applies the prudent person principle when managing its credit risk exposure by taking into account the credit rating and reputation of each entity when selecting counterparties. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty.

C.3.3 Assessment and risk mitigation techniques used for credit risks

The Company monitors and controls credit risks via various methods, including:

- minimum rating criteria for the placing of deposits and opening of bank accounts, in line with

the Investment Policy and Asset Liability Management Policy;

- monitoring the credit ratings of counterparties;
- reporting of cash, investment and liquidity positions takes place monthly as part of the Company's management accounts reporting process;
- retaining risk within an approved risk appetite and solvency requirements;
- the ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions; and
- independent opinion on the Company's reinsurance arrangements is provided by the CA on an annual basis.

C.3.4 Material risk concentrations

Credit Risk concentration is associated with any single exposure or group of exposures with the potential to produce large losses to threaten the Company's core operations. It may arise either from a single counterparty concentration or industry concentration. The Company is not materially exposed to such risk as at 31 December 2025.

C.3.5 Risk sensitivity for credit risk

See section C.6.1 for information on stress testing and sensitivity analysis for all the risk categories.

C.4. Liquidity risk

C.4.1 Material liquidity risks

Liquidity risk refers to the risk that undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due.

The liquidity management process is defined within the Company's Asset Liability Management Policy and Liquidity Risk Management Plan. The Company manages liquidity risk by continuously monitoring and forecasting the actual cash flows and matching the maturity profiles of assets and liabilities. Liquidity management ensures that the Company has sufficient access to funds necessary to cover reinsurance claims.

The Company's Asset Liability Management Policy & Liquidity Risk Management Plan sets out overarching principles in terms of maintaining a liquid portfolio so that appropriate levels are maintained to discharge liabilities as they fall due. The Company has considered the risk of a lack of liquidity available to pay insurance liabilities in its risk register.

The Company's cash in-flow is generated from premium income. Its cash out-flow consists mainly of reinsurance premium, claims payments and administration expenses. To the extent that underwriting cash flows are not sufficient to cover operating cash outflow in any year, the Company may release funds from its investment portfolio. Additionally, the Company's ultimate parent has

formally guaranteed to inject capital should the Company's solvency cover ratio fall below 170%.

Key liquidity risks are set out below:

Key Risks	Mitigation Controls
<p>Insufficient Liquid Funds</p> <p>There is a risk that there is insufficient liquid funds to meet claims and operational liabilities as they fall due</p>	<p>Quota share with MPMIC monitored to ensure CL maintains the agreed amount with funds withheld by providing quarterly statements for MPMIC to agree</p> <p>Capital requirement is set based on forecasted premium, claims and expenses demonstrated by 1. capital report, 2. annual cashflow forecast and 3. PRA reporting y/e</p> <p>The capital ratio is reviewed quarterly to ensure it stays within appetite and evidenced by the capital report presented to the ARCC</p> <p>Cash flow forecasts are presented annually to the Board with the subsequent year</p>

C.4.2 Prudent person principle applied to liquidity risks

The Company applies the prudent person principle when managing its liquidity risk by:

- ensuring that the investment portfolio is composed predominantly of marketable securities at all times; and
- ensuring a sizeable level of funding is maintained as cash in bank accounts at all times taking account of the quarterly cash flow forecasts prepared to predict required liquidity levels over both the short and medium term.

C.4.3 Assessment and risk mitigation techniques used for liquidity risks

The Company monitors and controls risks via various methods, including:

- compliance with the Liquidity Risk Management Plan as approved by the Company's Board of Directors;
- retaining risk within an approved risk appetite and solvency requirements;
- the FD monitors cash movements and performs cash flow forecasting which are regularly reported to the Company; and
- reporting of cash, investment and liquidity positions takes place monthly as part of the

Company's management accounts reporting process.

C.4.4 Material risk concentrations

It is the Company's policy to have access to adequate liquidity to meet its funding requirements. Funding requirements will include expected and the possibility of unexpected and potentially adverse business conditions. Core funding is assessed via the Company's Minimum Solvency Requirement (MCR), its Solvency Capital Requirement (SCR) and its ORSA.

C.4.5 Risk sensitivity for liquidity risk

See section C.6.1 for information on stress testing and sensitivity analysis for all the risk categories.

C.4.6 Amount of expected profit included in future premiums

The expected profit included in future premiums is calculated as the difference between:

1. the technical provisions without a risk margin; and
2. a calculation of the technical provisions without a risk margin under the assumption that the premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future are not received.

The technical provisions excluding risk margin are equal to the best estimate of premium and are calculated based on the claim exposure linked to the UPR. The expected profit included in future premiums is then £2.4m as at 31 December 2025 (2024: £1.3m).

C.5. Operational risk

C.5.1 Material operational risks

Operational risk is the risk of loss resulting from failed internal processes, people and systems or from external events. Operational risks which can result in losses include internal fraud, external fraud, system failures and disregard of company policies.

The Company seeks to limit all operational risk through the implementation of a robust system of internal controls and procedures.

Operational risks are also addressed in the capital requirement as an addition to the Basic SCR to the extent that they have not been explicitly covered in other risk modules. The operational risk capital charge as at 31 December 2025 is £1.7m (2024: £Nil).

C.5.2 Assessment and risk mitigation techniques used for operational risks

The Company monitors and controls operational risks via various methods, including:

- identifying and analysing risk through a disciplined risk assessment process;
- mitigating or avoiding risks that do not fit within the Company's business objectives;

- implementing a robust system of internal controls and procedures;
- segregation of duties;
- monitoring and internal reporting; and
- commitment of effective corporate governance.

C.6. Other material risks

The Company has included a range of non-quantifiable risks in its ORSA process. Sample risks include:

- regulatory and compliance risks;
- loss of key personnel; and
- outsourcing risks.

The Company has zero appetite for regulatory risk. It is the objective of the Company to remain at all times in compliance with the UK Regulations, and with any guidelines issued by the PRA and/or FCA and other applicable legislation in accordance with good corporate governance and codes of conduct.

The Board is satisfied that the Company has an adequate succession plan in place.

Additionally, performance of outsourced providers is reviewed on a periodic basis and such reviews are intended to provide effective oversight of each outsourcing arrangement.

The Board considers that these non-quantifiable risks that are not captured by the standard model are covered by the Solvency Coverage Ratio.

C.6.1 Stress testing and sensitivity analysis for material risks and events

In terms of its solvency needs, the SCR is determined by the Standard Formula.

The ORSA process for 2025 has considered CL's strategy and business plans in the context of its risk appetite and having conducted a wide range of stress and scenario tests, confirms that the focus is on the identified top risks, as well as the current strategic and management agenda, remains appropriate. Of the stress tests and scenarios considered, only the most extreme events with the lowest probability of occurrence would reduce the level of assets below the level of liabilities and so directly threaten CL's ability to meet its obligations to policyholders. However, in reverse stress tests funds would reduce below the level of the SCR and so would require recovery plans to be implemented.

While the business grows rapidly over the planning horizon, the initial capital injections are sufficient to support initial growth. The company expects to receive further capital injections from its parent in 2026 to support further growth as economies of scale will not have been reached to generate

sufficient profits from the business written to fund the growth plan.

The capital available to the Company is of a very high quality, predominantly consisting of Tier 1 own funds from either the initial share capital or capital contribution from the parent company.

CL monitors its capital position on a quarterly basis with robust KPI's in place. Should CL identify a potential capital shortfall, options are available to them in the form of a capital injection. From a risk perspective, these options significantly reduce the capital risk to CL.

C.7. Any other information

The Company has identified all material risks through its risk register and there is no other material information regarding the risk profile of the Company that warrants disclosure.

D. VALUATION for SOLVENCY PURPOSES

D.1 Assets

D.1.1. Solvency UK Balance Sheet Summary

The table below sets out the Company's Solvency UK balance sheet as at 31 December 2025, referencing the subsequent sections for each line item:

£m	2025	2024
Financial investments (D.1.1)	69.2	44.5
Reinsurers' share of technical provisions (D.1.1, D.2.1, D2.7)	21.1	-
Insurance and intermediaries' receivables (D.1.1)	0.6	-
Cash and cash equivalents (D.1.1)	7.2	3.5
Deferred Acquisition Costs (D.1.1)	-	-
Other assets (D.1.1)	0.3	-
Total assets (D.1.1)	98.4	48.0
Technical Provisions (D.2.1)	26.7	2.3
Deposits from reinsurers (D.3)	23.2	-
Payables	-	-
Other liabilities (D.3)	0.3	0.5
Total liabilities	50.2	2.8
Excess assets over liabilities	48.1	45.2

D.1.2. Local GAAP and Solvency UK Valuations

The table below sets out the value of the Company's assets as at 31 December 2025:

£m	Assets per GAAP		Assets per Solvency UK	
	2025	2024	2025	2024
Financial investments	68.6	39.8*	69.2	44.5
Reinsurers' share of technical provisions	31.4	4.2	21.1	-
Insurance and intermediaries' receivables	4.1	2.0	0.6	-
Cash and cash equivalents	7.2	8.0*	7.2	3.5
Deferred Acquisition Costs	1.5	0.3	-	-
Other assets	0.9	0.2	0.3	-
Total assets	113.7	54.5	98.4	48.0

*Reclassified £4.5m from financial investments to cash and cash equivalents as accounting policy includes highly liquid investments with a maturity of less than 3 months within cash and cash equivalents. No net impact on assets.

The Company's material assets are recognised and valued using the following principles:

Financial investments

The Company invests in a short maturity bond fund for which a look through approach has been adopted for Solvency UK given that the fund is comprised of a number of underlying publicly traded securities. Investments are valued at fair value using prices in active markets provided by independent pricing sources.

Reinsurers' Share of Technical Provisions

In the Solvency UK balance sheet, the Company includes the full expected cost of claims within the technical provisions and treats the expected corresponding reinsurance recoverables as an asset. The valuation methods and assumptions for reinsurance recoverables are consistent with the methods and assumptions for the corresponding technical provisions. The value of the recoverable asset is the best estimate of future reinsurance cash flows, allowing for the probability of default by the reinsurer.

Insurance and Intermediaries' Receivables

Amounts for payment by policyholders, insurers, and other linked to insurance business that are not included in technical provisions. For the Solvency UK Balance sheet this balance only includes amounts past-due.

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits with credit institutions with a maturity of less than 3 months. Cash and cash equivalents are initially measured at fair value.

Deferred Acquisition Costs

Deferred acquisition costs are valued under GAAP based on the estimated un-utilised benefit at year end. The value of deferred acquisition costs is Nil for the solvency UK purposes.

Other Assets

Other assets, in the Solvency UK balance sheet are measured at fair value determined using alternate valuation methods that are market consistent and represents the realisable value of individual assets on transfer to a third party. If the FRS 102 value is a good proxy for fair value no adjustment is made.

D.2 Technical Provisions

D.2.1. Local GAAP and Solvency UK Valuations

The table below shows an analysis of the technical provisions net of reinsurance and acquisition costs at 31 December 2025:

Solvency UK Line of Business	TPs per GAAP		TPs per Solvency UK	
	£m	£m	£m	£m
	2025	2024	2025	2024
General Liability				
Best estimate of liabilities (BEL)	-	-	0.7	-
Statutory reserves	2.8	0.4	-	-
Risk margin	-	-	1.5	0.9
Non-proportional reinsurance - Casualty				
Best estimate of liabilities (BEL)	-	-	1.1	0.2
Statutory reserves	4.7	0.6	-	-
Risk margin	-	-	2.4	1.2
Total technical provisions	7.5	1.0	5.7	2.4

Solvency UK classes of business: Classes of business have been allocated to Solvency UK line of business on the following basis:

Class of Business per Local GAAP	Solvency UK Line of Business
General Liability	General Liability
Non-proportional reinsurance - Casualty	Non-proportional reinsurance - Casualty

Local GAAP reserves consist of Unearned Premium Reserves (“UPR”), Outstanding Loss (“OSLR”), Incurred but not Reported (“IBNR”) and Unallocated Loss Expenses reserve (“ULAE”).

Solvency UK requires that the “liabilities shall be valued at the amount for which they can be settled between knowledgeable and willing parties in an arm’s length transaction”.

The BEL corresponds to the probability-weighted average of future cash flows, taking account of the time value of money (i.e. the expected present value of future cash flows), using the risk-free interest

rate term structure published by the Bank of England. The calculation of the BEL is based upon up-to-date and credible information and realistic assumptions (derived from data analysis and expert judgement) and is performed using appropriate actuarial and statistical methods. The cash-flow projection used in the calculation of the BEL takes account of all the cash in-flows and out-flows required to settle the insurance obligations over their lifetime.

The BEL is composed of the Premium Provision and the Claims Provision. The Premium Provision is the discounted best estimate of all future cash flows relating to future exposures of insurance obligations of the Company at the valuation date. The Claims Provision is the discounted best estimate of all future cash flows relating to claims events prior to the valuation date. These cashflows include the expected claims and expenses with an allowance for Events Not In Data (ENIDs).

Cash flows have been discounted using the relevant risk-free yield curves as at 31 December 2025 as published by the Bank of England.

The risk margin is calculated in line with Solvency UK and aims to ensure that the total technical provisions are equivalent to the cost of transferring the insurance obligations to a third party. The calculation assumes a 4 per cent per annum cost of capital and applies to non-hedged risks only. This calculation applies simplified methods in line with Article 58 of the Delegated Regulation rather than a full projection of the Solvency Capital Requirement (SCR). The SCR for each non-hedged risk is assumed to run-off in-line with suitable profiles which differ depending on the types of non-hedged risks.

D.2.2. Uncertainty associated with the value of Technical Provisions

All estimates of unpaid loss reserves are inherently uncertain. The key areas of uncertainty of the Technical Provisions are driven by the uncertainty of the underlying booked reserves, the appropriateness of the pricing basis and initial expected loss ratios, and the business plan.

D.2.3. Solvency UK and local GAAP valuation differences

An explanation of any material differences between the bases, methods and main assumptions used by the Company for the valuation for solvency purposes and those used for their valuation in financial statements is included in Section D2.1.

D.2.4. Matching adjustment

The Company does not apply the matching adjustment.

D.2.5. Volatility adjustment

The Company does not use the volatility adjustment.

D.2.6. Transitional risk-free interest rate term structure

The Company does not apply the transitional deduction referred to in The Financial Services and Markets Act 2000 (Regulated activities) (Amendment) Order 2011 (S.I. 2011/133).

D.2.7. Recoverables from reinsurance and special purpose vehicles'

Recoverables from reinsurance amounted to £31.4m (2024: £4.2m) on a Local GAAP basis and £21.0m (2024: £0.0m) on a Solvency UK basis as at 31 December 2025.

D.2.8. Material changes in relevant assumptions made in the calculation of technical provisions

The Company's business plan has been refreshed by management and approved by the Board resulting in updates to assumptions regarding future expenses and future premiums used in the calculation of technical provisions.

There have been no other material changes in assumptions made during the year.

D.3 Other liabilities

Other liabilities at 31 December 2025 were £28.0m (2024: £2.9m) on a Local GAAP basis and £23.5m (2024: £0.5m) on a Solvency UK basis, and are composed of insurance, deposits from reinsurance (funds withheld) and trade payables.

The differences between the Local GAAP and Solvency UK valuations were discounting of funds withheld of £3.3m (2024: £2.1m) and reclassification of RI DAC of £1.2m (2024: £0.2m).

D.4 Alternative methods for valuation

The Company does not use any alternative methods for valuation.

D.5 Any other information

There are no other material matters in respect of the valuation of assets and liabilities.

E. CAPITAL MANAGEMENT

E.1. Own funds

E.1.1. Objective, policies and processes for managing own funds

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. As part of own funds management, the Company prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the basis of the ORSA, contains a three-year projection of funding requirements and helps focus actions for future funding.

The Company's ordinary shares, all of which are fully paid up, are owned by a Coverys Group company. The Company has no debt financing, nor does it have plans to raise debt or issue new share capital over the four-year time horizon used for business planning.

The medium-term capital management plan set by the Board is as follows:

- Own funds to be maintained at an agreed level in excess of the SCR, target solvency margin cover is currently set at 170% of the SCR;
- Dividends will not be paid or will be deferred if doing so would cause the Company to breach its legal and regulatory requirements or fall below the abovementioned target SCR cover;
- The Company recognises the support of its parent company, MPMIC, for its continuing business activities and for any future capital needs it may have. In particular MPMIC have formally guaranteed to provide additional capital to the Company in the event that its solvency coverage ratio falls below 170%.

If the Board determines, which shall be based on the annual capital planning, that the Company will need to raise capital from its shareholder, a request will be sent to MPMIC to activate the authorisation procedure. The classification and eligibility of own funds shall be assessed by the Board prior to any request issued. Any terms and conditions attaching to any capital increase shall require Board approval.

E.1.2. Own funds analysed by tiers

An analysis of own funds is shown below:

Date	Description	2025	2025	2024	2024
		Tier 1 £m	Total £m	Tier 1 £m	Total £m
1 January	Opening balance comprising:				
	Ordinary Share Capital	44.5	44.5	44.5	44.5
	Reconciliation Reserve	(6.9)	(20.0)	-	-
	Movement in the Reconciliation reserve for the year (comprising retained earnings and Solvency UK adjustments):	13	9.4	(20.0)	(20.0)
	Total basic own funds after Deductions	37.6	37.6	24.5	24.5
31 December	Closing balance	37.6	37.6	24.5	24.5
	Represented by:				
	Ordinary share capital	44.5	44.5	44.5	44.5
	Reconciliation reserve (comprising retained earnings and Solvency UK adjustments)	(6.9)	(10.6)	(20.0)	(20.0)
	Total basic own funds after Deductions	37.6	37.6	24.5	24.5

The Company's ordinary share capital and reconciliation reserve are all available as Tier 1 unrestricted own funds as per Article 69 (a)(1) of the Delegated Regulation. The positive reconciliation reserve equals the excess of assets over liabilities less other basic own fund items, as at the reporting date. There are no foreseeable dividends or own shares held.

The Company has no Tier 1 restricted own funds and no Tier 2 or Tier 3 funds.

E.1.3. Eligible amount of own funds to cover the Solvency Capital Requirement

The eligible amount of own funds to cover the Solvency Capital Requirement is £37.6m (2024: £24.5m). This is comprised of Tier 1 unrestricted Basic Own Funds of £37.6m (2024: £24.5m).

E.1.4. Eligible amount of own funds to cover the Minimum Capital Requirement

The eligible amount of own funds to cover the Minimum Capital Requirement is £37.6m (2024: £24.5m). This is comprised of Tier 1 unrestricted Basic Own Funds of £37.6m (2024: £24.5m).

E.1.5. Equity vs Excess of assets over liabilities

Reconciliation of Own Funds to Equity as per Financial Statements	£m 2025	£m 2024
Total Equity as per financial statements	46.5	46.5
Solvency UK - Basic Own Funds	37.6	24.5
Difference:	(8.9)	(22.0)
<u>Represented by:</u>		
Difference between Net Technical Provisions, insurance assets and liabilities and Best Estimate Liabilities	5.6	0.8
Solvency UK risk margin – non-life	(3.9)	(2.0)
Adjustment in respect of ring fenced funds (excess of assets over liabilities for two US trust accounts)	(10.5)	(20.7)
Difference:	(8.9)	(22.0)

E.1.6. Transitional arrangements

None of the Company's own funds are subject to the transitional arrangements .

E.1.7. Ancillary Own Funds

The company does not have any ancillary own funds.

E.1.8. The Company does not use ancillary own funds. Deductions from and restrictions affecting own funds

No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Solvency Capital Requirement and Minimum Capital Requirement

The table below shows the total SCR and MCR at 31 December 2025:

	£m 2025	£m 2024
SCR	21.6	7.6
MCR	5.4	3.5

The final amount of the SCR remains subject to supervisory assessment. The undertaking calculates the Solvency Capital Requirement on a consolidated basis, supported by the calculation of notional SCRs for each Ring-Fenced Fund (RFF) in line with Solvency UK. Each RFF is assessed independently to determine the capital required to support its own liabilities, after which the notional SCRs are combined with the non-RFF SCR, reflecting restrictions on the transferability of assets held within the funds. This methodology ensures that the aggregated SCR appropriately captures both the segregated risk profile of each RFF and the limitations on recognising surplus capital from these funds within the total Own Funds position.

E.2.2. Solvency Capital Requirement split by risk modules

The table below shows the SCR components by risk module (using the Standard Formula) at 31 December 2025.

Risk Modules	£m 2025	£m 2024
Non-life underwriting risk	12.6	6.4
Market risk	10.5	1.5
Counterparty default risk	2.0	0.8
Diversification	(5.1)	(1.2)
Basic Solvency Capital Requirement	19.9	7.5
Operational Risk Solvency Capital Requirement	1.7	-
	21.6	7.6

E.2.3. Simplified calculations

One simplification is used in the calculation of the SCR, namely in the counterparty default risk module. This simplification allows for the assumption that the risk-mitigating effect of reinsurance is fully recognised without needing to separately model the credit risk of the counterparty. Essentially, instead of explicitly calculating the default risk for the reinsurer, the simplification assumes that the credit risk is covered by the reinsurance arrangements as long as the counterparty's rating meets a minimum threshold. This approach is used to reduce the complexity of the calculation and streamline the process. It is permissible under the standard formula when reinsurance contracts meet specific criteria, such as being rated and qualifying as effective risk mitigation.

E.2.4. Undertaking Specific Parameters

The Company does not use undertaking specific parameters in its computation.

E.2.5. Calculation of the Minimum Capital Requirement

The Minimum Capital Requirement is calculated using the Standard Formula specifications.

The table below shows the inputs into the MCR calculation as at 31 December 2025.

Overall MCR calculation £m	2025	2024
Linear MCR	1.8	0.2
SCR	21.6	7.6
MCR cap	9.7	3.4
MCR floor	5.4	1.9
Combined MCR	5.4	1.9
Absolute floor of the MCR	3.5	3.5
MCR	5.4	3.5

E.2.6. Material changes to the Solvency Capital Requirement and Minimum Capital Requirement over the reporting period

Over the reporting period, both the SCR and MCR have increased as a result of the first full year of underwriting activity in 2025.

The MCR increased from £3.5m to £5.4m. The SCR increased from £7.6m to £21.6m, reflecting the growth in the business and the associated expansion in risk exposure. In particular, higher invested assets have increased market risk; higher technical provisions/reserves have increased reserve risk; increased premiums written in 2025 and the planned premium volume over the next 12 months have increased premium risk; higher reinsurance recoverables have increased counterparty default risk; and operational risk has increased in line with the larger scale of operations. Collectively, these drivers explain the increase in the SCR over 2025.

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

The Company has not opted to use the duration-based equity risk sub-module.

E.4 Differences between the Standard Formula and any other Internal Model Used

The Company applies the Standard Formula as it is deemed appropriate for the size of business and therefore does not use an internal model to calculate the Solvency Capital Requirement.

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

The Company was compliant with the MCR and the SCR requirements throughout the year ended 31st December 2025.

E.6 Any other information

There are no other material matters in respect of the valuation of capital management.

Coverys Limited

Solvency and Financial Condition Report

Disclosures

31 December

2025

(Monetary amounts in GBP thousands)

IR.02.01.02
Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	69,231
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	69,231
R0140	<i>Government Bonds</i>	23,857
R0150	<i>Corporate Bonds</i>	31,001
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	14,373
R0180	<i>Collective Investments Undertakings</i>	0
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	21,042
R0280	<i>Non-life and health similar to non-life</i>	21,042
R0315	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	594
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	285
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	7,196
R0420	Any other assets, not elsewhere shown	8
R0500	Total assets	98,356

Liabilities

		Solvency II value
		C0010
R0505	Technical provisions - total	26,744
R0510	<i>Technical provisions - non-life</i>	26,744
R0515	<i>Technical provisions - life</i>	0
R0542	Best estimate - total	22,849
R0544	<i>Best estimate - non-life</i>	22,849
R0546	<i>Best estimate - life</i>	
R0552	Risk margin - total	3,895
R0554	<i>Risk margin - non-life</i>	3,895
R0556	<i>Risk margin - life</i>	
R0565	Transitional (TMTP) - life	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	23,192
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	6
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in Basic Own Funds</i>	
R0870	<i>Subordinated liabilities in Basic Own Funds</i>	0
R0880	Any other liabilities, not elsewhere shown	305
R0900	Total liabilities	50,247
R1000	Excess of assets over liabilities	48,109

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Top 5 countries (by amount of gross premiums written)						Total Top 5 and home country
Home Country		US	KY	BM	GG			
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
R0110	Gross - Direct Business	16,348	0	0	0	0		16,348
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0		0
R0130	Gross - Non-proportional reinsurance accepted	0	4,500	17,771	4,268	1,083		27,621
R0140	Reinsurers' share	13,078	3,600	14,217	3,414	866		35,175
R0200	Net	3,270	900	3,554	854	217		8,794
Premiums earned								
R0210	Gross - Direct Business	11,379	0	0	0	0		11,379
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0		0
R0230	Gross - Non-proportional reinsurance accepted	0	1,981	11,532	2,952	678		17,144
R0240	Reinsurers' share	9,103	1,585	9,226	2,362	543		22,818
R0300	Net	2,276	396	2,306	590	136		5,705
Claims incurred								
R0310	Gross - Direct Business	7,379	0	0	0	0		7,379
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0		0
R0330	Gross - Non-proportional reinsurance accepted	0	1,480	8,142	1,805	428		11,854
R0340	Reinsurers' share	5,903	1,184	6,513	1,444	343		15,387
R0400	Net	1,476	296	1,628	361	86		3,847
R0550	Net expenses incurred	183	34	285	87	-17		572

IR.05.04.02

**Non-life income and expenditure:
reporting period**

All business (including annuities stemming from accepted non-life insurance reinsurance contracts)	All non-life business (i.e. excluding annuities stemming from accepted insurance and reinsurance contracts)	Non-life insurance and accepted proportional reinsurance obligations		Accepted reinsurance	non-proportional	Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
		General liability insurance	Professional Indemnity	Casualty	Property		
C0010	C0015	C0210	C0220	C0320	C0340	C0525	C0545

Income

Premiums written

R0110	Gross written premiums	43,968	16,348	0	27,621	
R0111	Gross written premiums - insurance (direct)	16,348	16,348	0		
R0113	Gross written premiums - accepted reinsurance	27,621	0	0	27,621	
R0160	Net written premiums	8,794	3,270	0	5,524	

Premiums earned and provision for unearned

R0210	Gross earned premiums	28,523	11,379	0	17,144	
R0220	Net earned premiums	5,705	2,276	0	3,429	

Expenditure

Claims incurred

R0610	Gross (undiscounted) claims incurred	19,233	7,379	0	11,854	
R0611	Gross (undiscounted) direct business	7,379	7,379	0		
R0612	Gross (undiscounted) reinsurance accepted	11,854	0	0	11,854	
R0690	Net (undiscounted) claims incurred	3,388	1,205	0	2,183	
R0730	Net (discounted) claims incurred	3,388	3,388			

Analysis of expenses incurred

R0910	Technical expenses incurred net of reinsurance ceded	2,788					
R0985	Acquisition costs, commissions, claims management costs	1,031	1,031	454	0	577	

Other expenditure

R1140	Other expenses	3,017				
R1310	Total expenditure	9,193				

IR.17.01.02
Non-Life Technical Provisions

	Direct and proportional reinsurance	business accepted	Accepted non-proportional reinsurance			Total Non-Life obligation
	General insurance	liability	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
	C0090	C0150	C0160	C0170	C0180	
Best estimate						
Premium provisions						
R0060 Gross	1,668	3,127				4,795
R0140 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	2,285	4,285				6,570
R0150 Net Best Estimate of Premium Provisions	-618	-1,158				-1,775
Claims provisions						
R0160 Gross	7,163	10,891				18,053
R0240 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	5,741	8,730				14,471
R0250 Net Best Estimate of Claims Provisions	1,421	2,161				3,582
R0260 Total best estimate - gross	8,831	14,018				22,849
R0270 Total best estimate - net	804	1,003				1,807
R0280 Risk margin	1,455	2,440				3,895

R0320 **Technical provisions - total**

R0330 **Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**

R0340 **Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**

10,286	16,458			26,744
8,027	13,015			21,042
2,259	3,443			5,702

IR.19.01.21
 Non-Life insurance
 claims

Total Non-life business

Z0020

Accident year / underwriting year

Gross Claims Paid (non-cumulative) (absolute amount)		Development year											C0170 In Current year	C0180 Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		
Year		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior												0	0
R0160	-9	0	0	0	0	0	0	0	0	0	0		0	0
R0170	-8	0	0	0	0	0	0	0	0	0			0	0
R0180	-7	0	0	0	0	0	0	0	0				0	0
R0190	-6	0	0	0	0	0	0	0					0	0
R0200	-5	0	0	0	0	0	0						0	0
R0210	-4	0	0	0	0	0							0	0
R0220	-3	0	0	0	0								0	0
R0230	-2	0	0	0									0	0
R0240	-1	0	42										42	42
R0250	0	58											58	58
R0260													Total 100	100

Gross Undiscounted Best Estimate Claims Provisions												C0360		
(absolute amount)												Year end		
Year	Development year											(discounted data)		
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	10 & +		
R0100	Prior											0		0
R0160	0	0	0	0	0	0	0	0	0	0			0	
R0170	0	0	0	0	0	0	0	0	0				0	
R0180	0	0	0	0	0	0	0	0					0	
R0190	0	0	0	0	0	0	0						0	
R0200	0	0	0	0	0	0							0	
R0210	0	0	0	0	0								0	
R0220	0	0	0	0									0	
R0230	0	0	0										0	
R0240	731	4,897											4,375	
R0250	15,187												13,127	
R0260													Total 17,502	

Gross premium

C0570

C0580

Gross earned Estimate of
premium future gross
at reporting earned
reference date premium

R0160
R0170
R0180
R0190
R0200
R0210
R0220
R0230
R0240
R0250

N-9	0	0
N-8	0	0
N-7	0	0
N-6	0	0
N-5	0	0
N-4	0	0
N-3	0	0
N-2	0	0
N-1	5,345	0
N	24,240	19,709

Available and eligible own funds

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

37,578	37,578	0	0	0
37,578	37,578	0	0	
37,578	37,578	0	0	0
37,578	37,578	0	0	

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

21,642
5,410
173.64%
694.55%

Reconciliation reserve

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

C0060

48,109
0
44,488
10,531
-6,910

IR.25.04.21

Solvency Capital Requirement**Net of loss absorbing capacity of technical provisions**

		C0010
	Market risk	
R0070	Interest rate risk	3,490
R0080	Equity risk	0
R0090	Property risk	0
R0100	Spread risk	1,552
R0110	Concentration risk	19
R0120	Currency risk	8,337
R0125	Other market risk	0
R0130	Diversification within market risk	-2,944
R0140	Total Market risk	10,454
	Counterparty default risk	
R0150	Type 1 exposures	1,432
R0160	Type 2 exposures	658
R0165	Other counterparty risk	0
R0170	Diversification within counterparty default risk	-115
R0180	Total Counterparty default risk	1,975
	Life underwriting risk	
R0190	Mortality risk	0
R0200	Longevity risk	0
R0210	Disability-Morbidity risk	0
R0220	Life-expense risk	0
R0230	Revision risk	0

R0240	Lapse risk	0
R0250	Life catastrophe risk	0
R0255	Other life underwriting risk	0
R0260	Diversification within life underwriting risk	0
R0270	Total Life underwriting risk	0
	Health underwriting risk	
R0280	Health SLT risk	0
R0290	Health non SLT risk	0
R0300	Health catastrophe risk	0
R0305	Other health underwriting risk	0
R0310	Diversification within health underwriting risk	0
R0320	Total Health underwriting risk	0
	Non-life underwriting risk	
R0330	Non-life premium and reserve risk (ex-catastrophe risk)	6,263
R0340	Non-life catastrophe risk	9,416
R0350	Lapse risk	0
R0355	Other non-life underwriting risk	0
R0360	Diversification within non-life underwriting risk	-3,080
R0370	Non-life underwriting risk	12,598
R0400	Intangible asset risk	0
	Operational and other risks	
R0422	Operational risk	1,737
R0424	Other risks	0
R0430	Total Operational and other risks	1,737
R0432	Total before all diversification	32,903

R0434	Total before diversification between risk modules	26,763
R0436	Diversification between risk modules	-5,122
R0438	Total after diversification	21,642
R0440	Loss absorbing capacity of technical provisions	0
R0450	Loss absorbing capacity of deferred tax	0
R0455	Other adjustments	0
R0460	Solvency capital requirement including undisclosed capital add-on	21,642
R0472	Disclosed capital add-on - excluding residual model limitation	0
R0474	Disclosed capital add-on - residual model limitation	0
R0480	Solvency capital requirement including capital add-on	21,642
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	

- R0210 Obligations with profit participation - guaranteed benefits
- R0220 Obligations with profit participation - future discretionary benefits
- R0230 Index-linked and unit-linked insurance obligations
- R0240 Other life (re)insurance and health (re)insurance obligations
- R0250 Total capital at risk for all life (re)insurance obligations

	Net (of reinsurance/SPV) Net (of best estimate and reinsurance/SPV) TP calculated as a total capital at risk whole	
	C0050	C0060

C0070

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

1,576
21,642
9,739
5,410
5,410
3,500
5,410