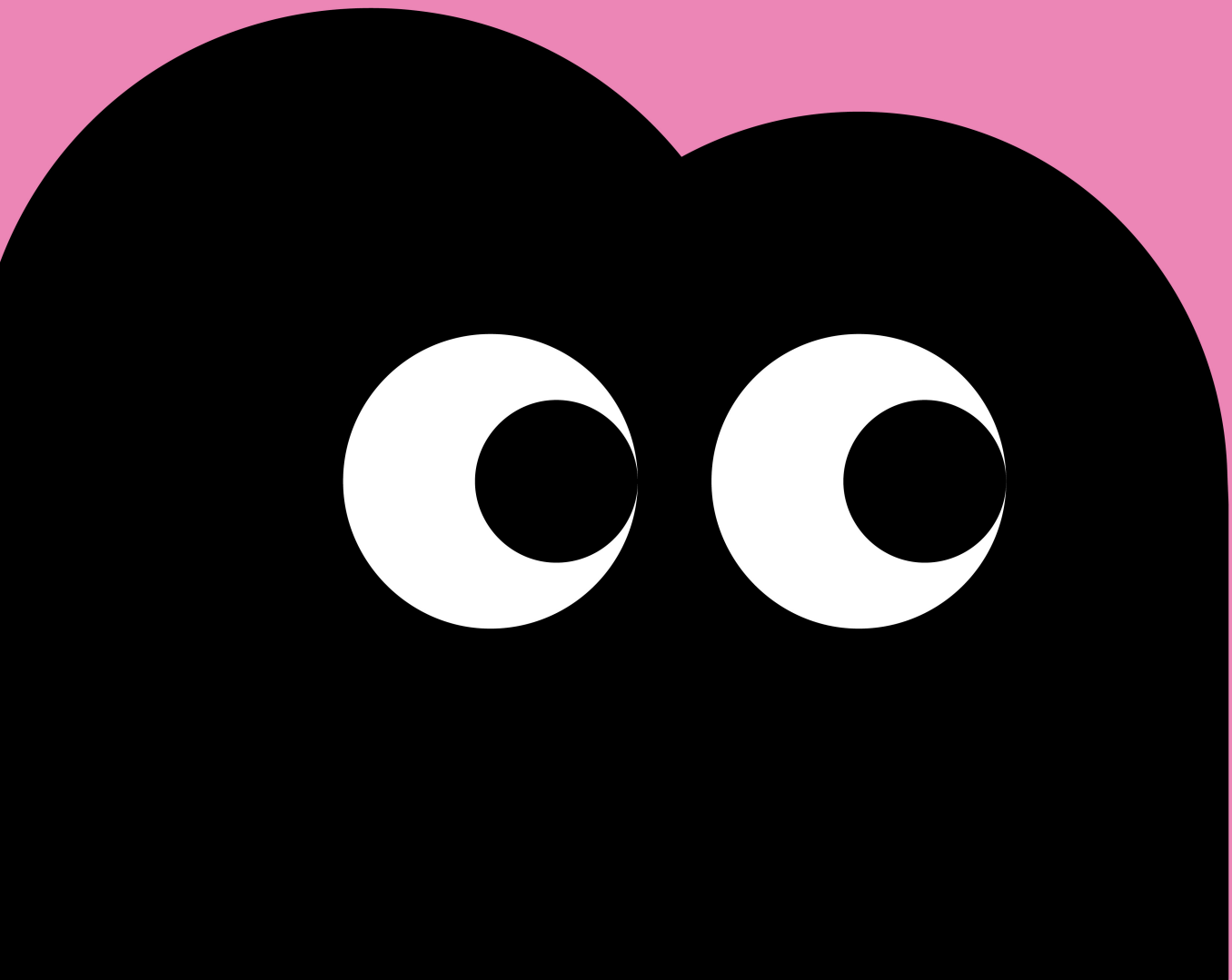


Solvency and Financial Condition Report 2023

Marshmallow Insurance Limited Group



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1. Executive Summary

Marshmallow Insurance Limited (MIL or “the company”) launched in 2020 and continues to grow its motor insurance portfolio with a target market of people who have moved to the UK (migrants) and UK born customers who are also underserved.

MIL distributes solely via the Marshmallow Technology Limited’s (MTL or “Group”) insurance broker, Marshmallow Financial Services Limited (MFSL or “the broker”) a separate entity within MTL, who in turn distributes the MIL product via all the large UK price comparison sites.

MIL uses the Group IT operation and MFSL to cover pricing, underwriting, data management, counter-fraud and claims management including complaints handling.

The following is a summary of this SFCR which is compiled of five key sections:

1.1 Section A: Business and Performance

In Section A, we outline the legal framework of our underwriting entity, explain the associated parties supporting its operations, and assess its performance over the fiscal year.

Our underwriting activities revolve around motor insurance. Success hinges upon the proficiency of our underwriting, pricing, and data teams, who strive to mitigate adverse selection through meticulous data analysis and advanced modelling techniques. Furthermore, our claims management firm employs proactive strategies for claims processing, complemented by cutting-edge systems to identify and mitigate fraudulent claims.

Our investment strategy focuses on cash, government and low risk corporate bonds overseen by a specialised investment bank. Investment returns constitute a significant portion of our profits, reflecting a balanced approach to revenue generation.

In the ever-evolving landscape of the UK motor insurance market in 2023, customer outcomes remain at the forefront of marshmallow’s strategies. The introduction of Consumer Duty during 2023 further enhances this focus on regulatory influence. Moreover, the market grapples with the ongoing challenges posed by inflationary pressures, as evidenced by the persistent high rates observed over recent years. Strategies emphasising customer-centricity, pricing agility, and robust risk management practices emerge as crucial pillars for success in this dynamic environment.

1.2 Section B: System of Governance

Within Section B, we outline the governance frameworks employed by the Board to govern and supervise the Company’s operations. MIL’s Board delegates responsibility to a number of

specialised committees and forums. Furthermore, we delve into the mandates and duties of these committees, along with detailing the function holders for Internal Audit, Risk, Compliance, Actuarial, Finance, Claims and Underwriting.

1.3 Section C: Risk Profile

The Board has ratified several policies to establish acceptable risk thresholds and provide operational guidance on a day-to-day basis. Risk assessment spans across various domains. The Audit Risk and Compliance Committee (ARCC) conducts quarterly monitoring of risks, with any significant risk assessments also communicated to the Group. Additionally, the Board conducts the Own Risk and Solvency Assessment (ORSA) at least annually, using this document as a reference point throughout the year.

1.4 Section D: Valuation for Solvency Purposes

Section D provides the valuation for solvency purposes. This section provides a comprehensive summary of the methodologies and approaches employed to assess the financial position of the company in relation to its solvency requirements. It includes details on the valuation of assets, liabilities, and capital resources, as well as any adjustments made to ensure compliance with regulatory Solvency II standards.

1.5 Section E: Capital Management

Section E of the Solvency and Financial Condition Report (SFCR), focuses on capital management. This section provides a comprehensive overview of how the company manages its capital resources to ensure financial stability and regulatory compliance. It includes information on the company's capital structure, capital adequacy assessments, and the use of capital buffers to absorb potential losses. Overall, this section offers transparency into the company's approach to capital management and its efforts to maintain a strong and resilient financial position.

Following discussions with the Gibraltar Financial Services Commission (GFSC) concerning the debtor balance with MSFL, adjustments were made to the payment terms stipulated in the TOBA, reducing them to a timeframe of 5 working days. The Board's objective is to uphold sufficient own funds to meet the Solvency Capital Requirement (SCR), and proactive measures are contemplated should coverage fall below the threshold of 140%.



A. Business and Performance

A.1 General Information about the Business

This report is an annual public disclosure required under Section 52 (1) of the Financial Services (Insurance Companies) Regulations 2020 (Gibraltar).¹ It sets out material information on the business, performance, systems of governance, risk profile, valuation for solvency purposes and capital management as required by Section 52(2) of the Financial Services (Insurance Companies) Regulations 2020 and complies with Marshmallow’s Disclosure and Reporting Policy.

Marshmallow Insurance Limited (“MIL”) is a specialist motor insurer underwriting business sold in the United Kingdom (“UK”). MIL was incorporated in October 2020, licensed and regulated in December 2020 in Gibraltar and is directly owned by Marshmallow Technology Limited (“MTL”) which was incorporated in the UK in November 2016. MIL’s Solvency Financial and Condition Report (“SFCR”) has been completed on a group basis by including its holding company (MTL) and its other subsidiary (MFSL). MIL is the only insurance company in the Marshmallow group, subsequently the SFCR mainly focuses on MIL’s controls and compliance with the requirements of Section 52 of the Financial Services (Insurance Companies) Regulations 2020. All financial information reflects the Marshmallow Group position.

MIL exists to underwrite business distributed by a UK subsidiary of MTL, Marshmallow Financial Services Ltd (“MFSL”).

MFSL was incorporated in October 2017 and started selling policies in September 2018.

MFSL is the sole distributor of policies underwritten by MIL. MFSL also distributes motor insurance policies for another insurer and other insurance products sold alongside motor policies underwritten by MIL, so called “add-ons” such as legal expenses, which are not underwritten by MIL. Prior to the establishment of MIL, MFSL distributed motor policies underwritten by another insurer.

The principal entities MIL consider relevant for the SFCR’s registered addresses are:

¹ Section 52 Financial Services (Insurance Companies) Regulations 2020 replaced the equivalent European Solvency II requirements following Brexit.

MIL

Fiduciary, PO Box 204, Portland House, Glacis Road, Gibraltar, GX11 1AA.

MIL is incorporated in Gibraltar (120387) and is a private company limited by shares.

MFSL

66 City Road, London, England, EC1Y 1BD

MTL

66 City Road, London, England, EC1Y 1BD

Each company is a company limited by shares. MTL owns 100% of the shares of both MFSL and MIL.

MIL is supervised by the Gibraltar Financial Services Commission and MFSL is supervised by the Financial Conduct Authority in the UK.

MIL is permitted to underwrite two classes of business in the UK: Class 3 (Land vehicles) and Class 10 (Motor Vehicle Liability). MFSL is the broker and is regulated by the Financial Conduct Authority in the United Kingdom.

MTL is owned by a number of investors. Those investors with a significant (>10%) shareholding are listed below.

Alexander Kent-Braham - 23.51%

Oliver Kent-Braham - 23.51%

Hedosophia - 12.63%

Passion Capital - 10.72%

Others - 29.63%

Supervisory Authority

Gibraltar Financial Services Commission

Suite 3, Ground Floor

Atlantic Suites

Europort Avenue

Gibraltar

GX11 1AA

Financial Conduct Authority

12 Endeavour Square

London

E20 1JN

Auditors

EY
PO Box 191
Suite 3C Ground Floor
Regal House
3 Queensway Gibraltar
GX11 1AA

A.2 Significant Business / Other Events

Overall, the UK insurance motor market in 2023 was characterised by intense competition, digital innovation, and regulatory scrutiny, shaping the landscape for insurers and consumers alike. As well as this, political unrest in Europe, persistent inflation and the cost-of-living crisis presented a complex backdrop to an extraordinary year in the UK insurance market's history.

From a commercial perspective, the UK insurance motor market remained highly competitive, with insurers competing aggressively on price, coverage options, and customer experience to attract and retain customers.

UK Motor insurers faced several challenges in 2023 including rising claims costs, cost of vehicle repairs, increased medical expenses, and legal fees and an increase in insurance fraud. Ongoing regulatory changes, such as Consumer Duty, updates to the Civil Liability Act and preparing for changes in the Ogden rate were also highly debated themes. Another topic high on the agenda in 2023 was the upsurge in cybersecurity threats. With the growing reliance on digital technologies and data and the expansion of AI, motor insurers faced an intensification of cybersecurity risks such as data breaches and ransomware attacks as well as increased fraud.

As customers expect personalised, convenient, and seamless experiences from their insurers, firms have had to invest in digital capabilities, such as mobile apps and online portals, to meet these expectations and remain competitive in the market. As such, digital transformation initiatives to streamline operations and enhance customer engagement became more widespread. Digital platforms, mobile apps, and online portals played an increasingly important role in the insurance purchasing process, from obtaining quotes to managing policies and submitting and tracking claims.

The introduction of the Consumer Duty in 2023 marked a significant development in the regulatory landscape of the UK insurance motor market, enhancing consumer protections and accountability while reinforcing the principles of fairness and transparency in insurer-consumer interactions.

Regulatory authorities maintained a strong focus on ensuring fair pricing practices and consumer protection within the insurance motor market. Insurers were required to demonstrate transparency and fairness in their pricing models, with regulators impacting new business renewal price parity, scrutinising the use of data analytics and algorithms to avoid discrimination and ensure affordability for consumers. I call this alchemy Insurers were obligated to provide clear and transparent information to consumers regarding policy terms, coverage options, and pricing factors. Additionally, insurers were required to actively consider the needs and circumstances of individual consumers when designing and distributing insurance products. The introduction of the Consumer Duty brought greater accountability and enforcement measures to ensure compliance with consumer protection standards. The Consumer Duty aimed to empower consumers by giving them greater control over their insurance purchasing decisions and ensuring that they were treated fairly throughout the insurance lifecycle.

Marshmallow achieved many goals in 2023, the most significant being lowering the loss ratio and growing the business. Immigration was at an all time high in the UK and Marshmallow's core migrant market performed well.

A.3. Underwriting Performance

Group 2023	Motor Vehicle Liability Insurance	Other Motor Insurance	Non-Insurance	Total
'£000				
Gross Written Premium	111,522	55,761	-	167,283
Reinsurers's share	(114,692)	(57,346)	-	(172,038)
Net Written Premium	(3,170)	(1,585)	-	(4,755)
Earned Premium	86,155	43,077	-	129,232
Reinsurers' share earned premium	(89,398)	(44,699)	-	(134,097)
Net Earned Premium	(3,243)	(1,622)	-	(4,865)
Net Claims Incurred	(11,267)	(5,634)	-	(16,901)
Net Processing Costs	(1,637)	(818)	-	(2,455)
MIB and other Levies	-	-	(3,198)	(3,198)
Reinsurance Commission	15,656	7,828	-	23,484
Underwriting Result	(2,623)	(1,312)	-	(3,935)

Group 2022	Motor Vehicle Liability Insurance	Other Motor Insurance	Non-insurance	Total
(£000's)				
Gross Written Premium	66,484	28,493	-	94,977
Reinsurers' share	(69,962)	(29,984)	-	(99,946)
Net Written Premium	(3,478)	(1,491)	-	(4,968)
Earned Premium	57,814	24,777	-	82,592
Reinsurers' share earned premium	(60,976)	(26,133)	-	(87,109)
Net Earned Premium	(3,162)	(1,355)	-	(4,517)
Net Claims Incurred	(7,671)	(3,288)	-	(10,959)
Net Processing Costs	(1,098)	(471)	-	(1,569)
MIB and other Levies	-	-	(1,992)	(1,992)
Reinsurance Commission	11,057	4,739	-	15,796
Underwriting Result	(875)	(375)	(1,992)	(3,242)

MIL provides motor insurance to the UK market, the two target audiences are Migrant and UK-born customers who are underserved. The Company mitigates its motor exposures through a mixture of quota share and motor excess of loss reinsurance. In 2023 MIL made an underwriting loss of £3.9m (2022: £3.2m). MIL grew its business during 2023, having £129m of exposure in 2023 which is significantly more than the £83m in prior year. The business has seen improvements in loss ratios but is yet to hit breakeven loss ratios.

MIL's net written premium is negative. This is because of the nature of MIL's reinsurance arrangements (see below). The cost of these arrangements is greater than the gross written premium collected by MIL, hence MIL's net written premium is negative, however MIL then receives income from its quota share provider by way of a ceding commission, which is shown in the reinsurance commission lines above.

MIL was initially capitalised with a capital injection from MTL of £10m. Since then, MTL has made further capital injections with the most recent being £5.6m in June 2023 and £5m in November 2023. There was a further capital injection of £5.2m in April 2024 to further support premium growth in MIL.

The combination of increasing market rates and targeted underwriting endeavours enabled MIL to reduce the loss ratio and be on a trajectory to profitability.

MIL prepares its financial statements in accordance with Generally Accepted Accounting Principles in Gibraltar and the underwriting performance information given in this section is therefore on a GAAP basis.

A.3. Investment Performance

Investment performance was significantly improved in 2023 against prior year, with returns of £1.2m (2022 loss: £321k). The mark to market valuation of our bond portfolios are inversely linked to interest rate movements. In 2022 interest rates moved from 0.25% to 3.5%, with further rises priced in. In 2023 these hikes stabilised at 5.25% from July 2023, leading to positive movements in the later half of the year, alongside new investments at higher yields to maturity.

A.4 Performance of Other Activities

Not Applicable.

A.5 Any other Information

There are no other material matters with regard to the Company's performance.

B. Systems of Governance

B.1. General Information on Systems of Governance

Marshmallow has a System of Governance designed to be effective and at the same time proportionate to the nature and scale of its operations. The System of Governance is aligned with the Group's business strategy and aids in the prudent management of the group and constituent companies without eroding the Marshmallow core values which are:

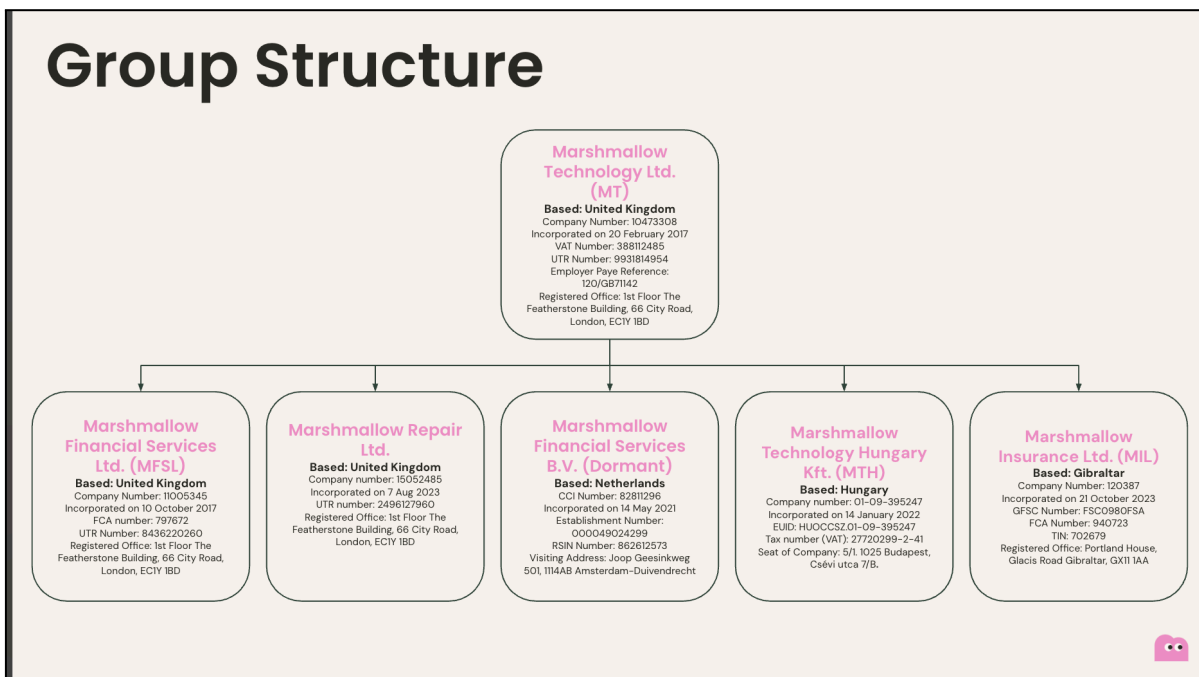
- We have a bias for action
- We are bold
- We are selfless (both for the customer and the team)
- We take ownership
- We are challenging and honest
- We simplify for success

B.1.1 The Group Structure

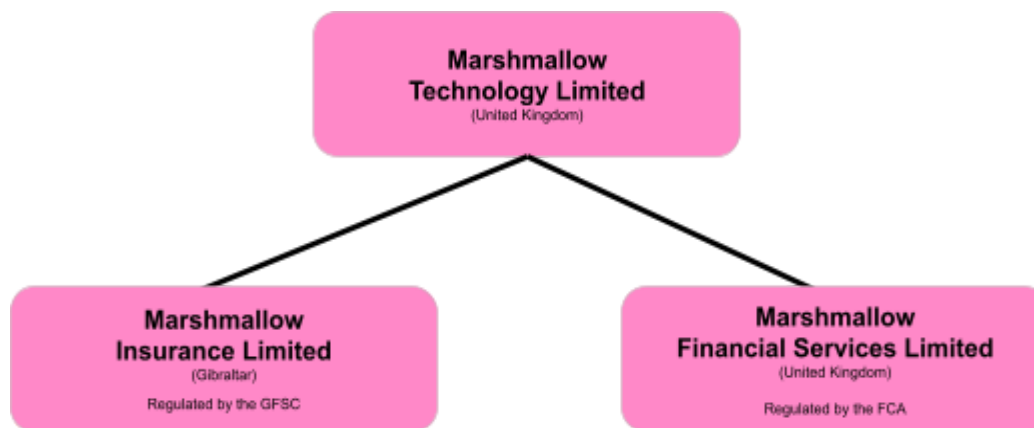
The Marshmallow Group consists of three material incorporated limited companies. These are as follows:

- Marshmallow Technology Limited - registered in the United Kingdom. The Technology firm and sole shareholder of the two insurance related undertakings namely:
- Marshmallow Insurance Limited - An insurance company registered in Gibraltar and regulated by the Gibraltar Financial Services Commission &
- Marshmallow Financial Services Limited - An insurance intermediary registered in the United Kingdom and regulated by the Financial Conduct Authority.

A diagrammatic representation of the Group Structure can be found below:



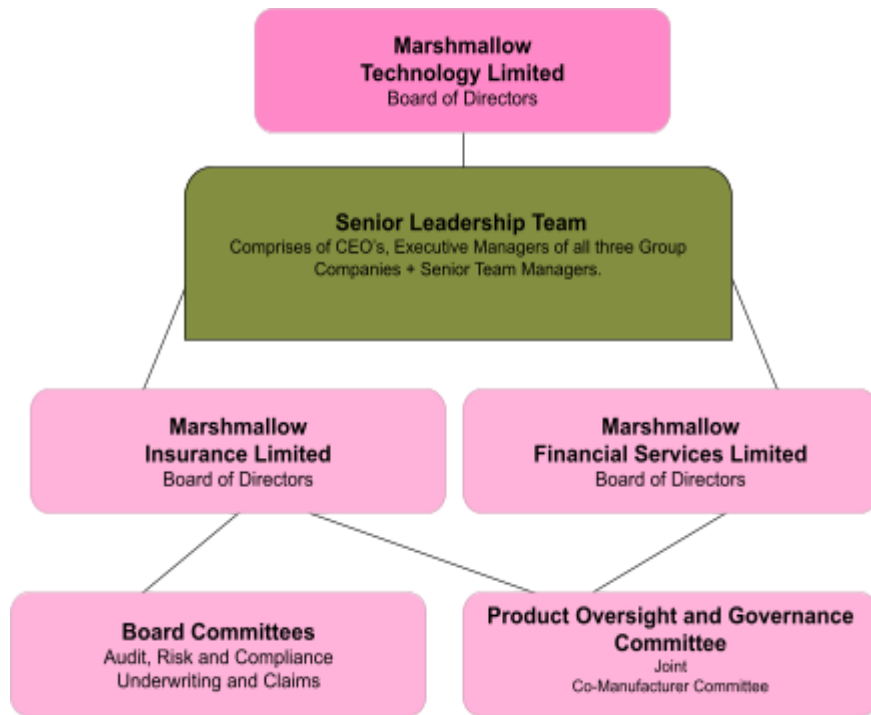
The principal entities MIL consider relevant for the SFCR from the above diagram are MTL, MIL and MFSL, the other entities have lower risk profiles.



B.1.2. Group Management and Leadership

The Group Structure has several organs of management which include the individual company's Boards of Directors, Board Committees in MIL and an overall Senior Leadership Team that sits between MTL, as the Group Holding Company, and the two subsidiaries MIL and MFSL.

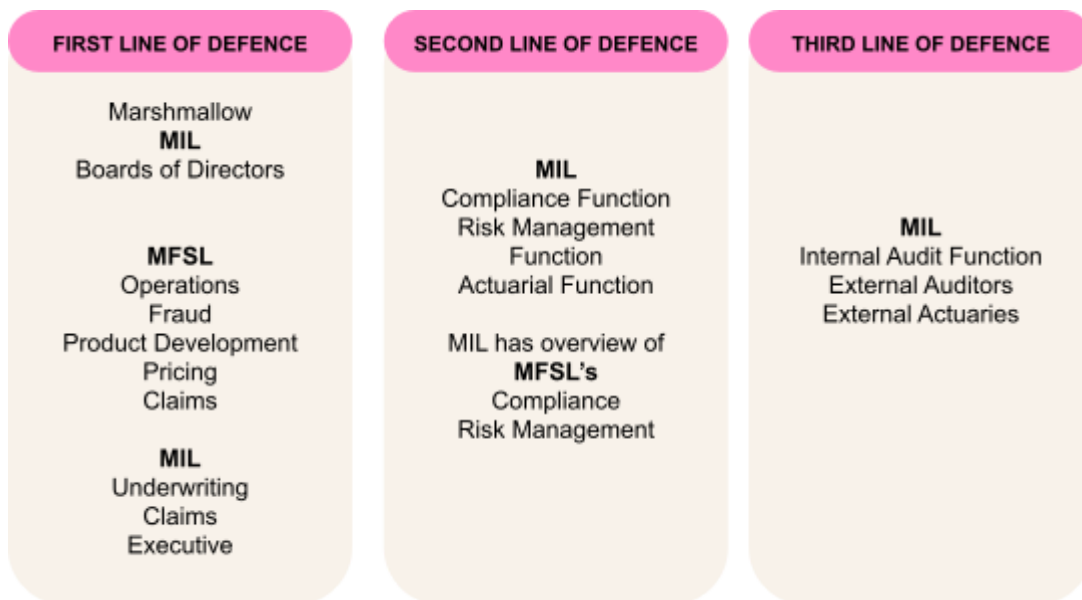
The diagram below illustrates the structure of Group Management and Leadership:



Changes to Product Governance legislation in the United Kingdom led the Management of Marshmallow to establish a joint MIL and MFSL Product Oversight and Governance Committee, given their respective status of co-manufacturers.

B.1.3 MIL Governance

MIL has adopted a “three lines of defence” governance model. This is illustrated in the diagram below:



First Line of Defence

The First Line of Defence has ultimate decision making authority and responsibility and its focus is as follows:

- Operational decision making to execute and implement MIL's strategic objectives.
- Facilitation & oversight of the business plans of MIL and delivery against predetermined goals.
- Day to day management of business activities.
- Management of the risk profile of the business, in line with MIL Board and Stakeholders expectations.

The First Line of Defence includes the MIL Board of Directors.

Second Line of Defence

The Second Line of Defence provide a key input into tactical and strategic decision making, and its overall focus is therefore on the following:

- Assurance to the MIL Board that the Risk Profile (as represented in the MIL Risk Registers or otherwise) is in line with Board and Stakeholder expectations and where it is not, propose actions with owners and timescales to bring it back into line with those expectations.
- Escalation of all material risk issues to the MIL Board.
- Provision of input, challenge and oversight of First Line decision making where appropriate, i.e. input of Risk and Capital information to aid effective decisions.

The MIL Audit, Risk and Compliance Committee is the main component of the Second Line of Defence. However, it also encompasses other governance and support functions including (but not restricted to) the following:

- Compliance Function supported by robust Compliance Policy and Procedures;
- Actuarial Function
- Risk Management Function

Third Line of Defence

The Third Line of Defence provides independent assurance and challenge across all business functions in respect of the integrity and effectiveness of the Risk Management Framework.

The Internal Audit Function is outsourced to Third Party professional resources. It is responsible for independently assessing the effectiveness of the Risk Management processes and practices and for providing timely objective assurance on the control of risk. The audit function is overseen internally by MIL's Audit, Risk and Compliance Committee.

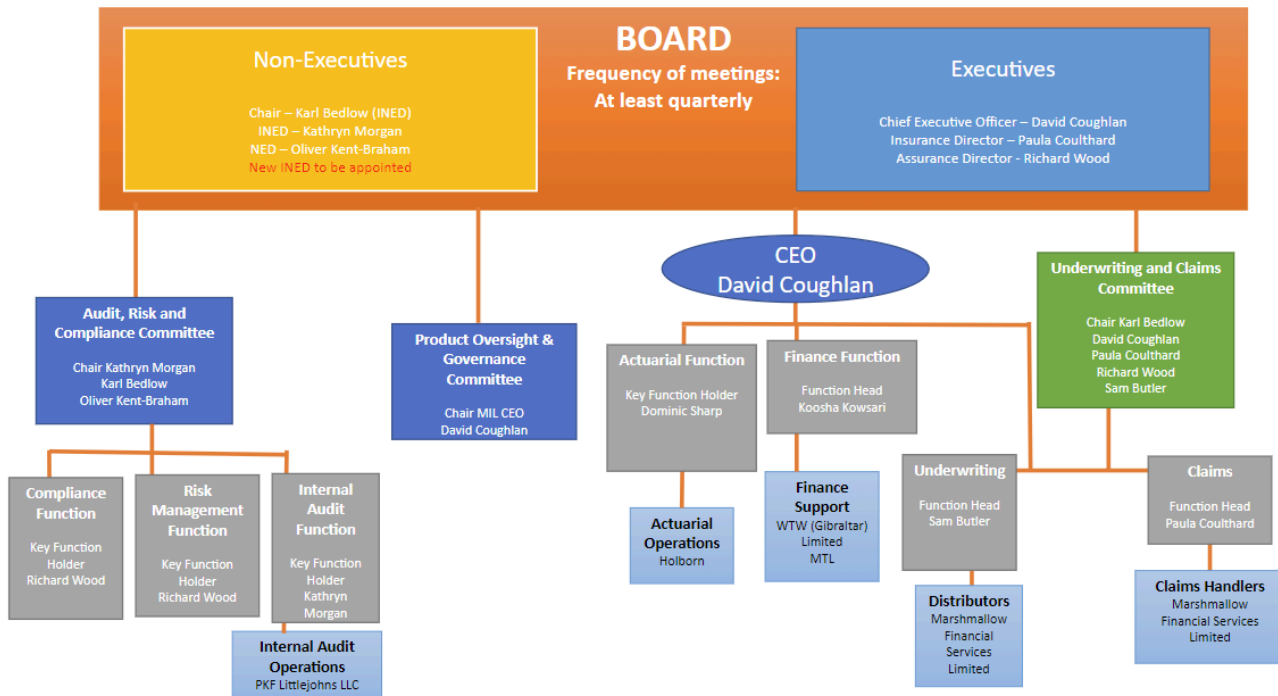
Internal Audit activity is carried out in accordance with an annual pre agreed audit plan.

Key Functions

MIL currently operates via a Board and three committees together with a number of Key Functions as required by the Financial Services Act 2019 Part 8 and Schedule 14 and 15 as listed below:

- Chief Executive Officer
- Compliance Function Holder
- Risk Management Function Holder
- Actuarial Function Holder
- Internal Audit Function Holder
- Underwriting Function Holder
- Claims Function Holder
- Finance Function Holder
- COO - MIL was granted a waiver in October 2023.

The relationship between the Board, Committees and Key Functions is detailed in the diagram below:



These key functions work within MIL's "three lines of defence".

Board of Directors

The principal role of the Board of Directors is to set and determine the strategic direction of the company.

The MIL Board as at 31/12/2023 consisted of six directors whose roles are as follows:

- Chairman and Independent Non-Executive Director (INED)
- Independent Non-Executive Director
- Chief Executive Officer
- Insurance Director (Claims, Reinsurance) (Executive Director)
- Assurance Director (Governance, Compliance & Risk) (Executive Director)
- Non-Executive Director (Shareholder representative)

According to its constitution and Terms of Reference, the Board appoints and delegates operational responsibilities to the Chief Executive Officer (CEO) as contained in the relevant CEO Statement of Responsibilities. The CEO has the Board's authority to set out responsibilities and objectives of all executive directors and managers of the company as recorded in their respective Statement of Responsibilities.

Through delegated authorities, approved by the Board, the CEO delegates some of his responsibilities and powers to the executive directors in order for them to exercise their responsibilities effectively.

The Board terms of reference also limits the authority of the CEO where he may not, without Board approval:

- Change the business plan where the change would mean an increase or decrease of 10% of the Gross Written Premium or operating expenses;
- Introduce new underwritten products;
- Bind MIL on any contract with a financial cost of over £100,000;
- Appoint a new director.

The Board Terms of Reference, the Statements of Responsibilities and the CEO Delegated Authorities are reviewed on an annual basis for applicability and efficiency or whenever a change to the Governance control framework or structure is implemented.

The Board's responsibilities, as set out by its Terms of reference are as follows:

- Strategy & Management
 - Set and approve the Company's strategy, business plan, objectives and annual budget, any material changes to them and once approved by the Board ensure their successful implementation.

- Approve the annual operating and capital expenditure budget and any material changes to them.
- Financial
 - Approve the Company's statutory accounts and the Company's representation letter addressed to the external auditors, following review and recommendation for the Audit, Risk and Compliance Committee (the **ARCC**).
 - Monitor and manage the Company's Financial Performance.
 - Approve the Company's Dividend Policy and proposals of interim dividend payments and recommending payment of the final dividends to be paid by the Company or any other distributions by the Company.
- Risk Management and Internal Controls
 - Constitute the ARCC to manage and discharge its responsibilities as set out in its Terms of Reference.
 - Set and approve the Company's Risk Management Policy including risk appetite and risk threshold levels and risk limits;
 - Manage any new or existing Conflicts of Interests;
 - Ensure the Company's oversight functions, Internal Audit, Risk Management and Compliance, are sufficiently resourced;
 - Obtain updates via the Chair of the ARCC;
 - On advice from the ARCC, consider the appointment and re-appointment of both external and internal auditors;
 - Appoint the Chair of the ARCC as the Internal Audit function holder;
 - Appoint the Assurance Director as the Compliance and Risk Management Function Holder.
 - Notes changes to policies.
 - Monitor adherence to Consumer Duty.
 - Review performance of the Board.
- Regulatory
 - Supervise and manage the Own Risk and Solvency Assessment (ORSA) Process;
 - Review and approve the SFCR;
 - Approve the Annual Quantitative Reporting to the regulator. Approval of Quarterly Quantitative Reporting is delegated to the ARCC;

- MTL Reserved matters for the Board.
- Underwriting, Pricing and Claims
 - Constitute the Underwriting and Claims Committee (UWCC) to manage the Underwriting, Pricing and Claims Functions.
 - Review and approve the Underwriting Policies and guidelines;
 - Review and approve the Claims Philosophy and related claims procedural documentation;
 - Approve the appointment of the Insurance Director.
- Actuarial and Reserving
 - Approve the appointment of the Actuarial Function Holder;
 - Approve the following after consideration of the recommendations of the ARCC and the report of the Actuarial Function Holder:
 - The level of claims provisions it believes to be appropriate;
 - The amount of reserving margin.
 - Approval of the AQRT
- Products and Third-Party Relationships
 - Maintain oversight of the material contracts;
 - Maintain oversight of material outsourced and contractual relationships after consideration of the UWCC.
 - Maintain oversight of material changes to existing services, products and launch of new services and products.
- Remuneration
 - When considering remuneration the Board is only composed of the Chair and non-executive directors;
 - Report on how decisions on executive pay align with the wider Group's considerations;
 - Consider the structure of the workforce and executive directors' remuneration.
 - Manage Conflict of Interests of Board members and appointees.

- Investments
 - Board retains responsibility over the management of investments;
 - Approve the investment policy and manage investments in accordance to it;
 - Approve the appointment of Investment Managers.
 - Maintains oversight of adherence to investment mandate.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee (ARCC) consists of both the INEDs and NED. The Chair of this committee is an INED who is not the Board chair and they also hold responsibility over the Internal Audit Function as well as being the Board Consumer Duty Champion.

The ARCC's main role is to assist the Board in meeting its responsibilities with respect to the following:

- Regulatory matters;
- Financial reporting;
- The maintenance of effective internal controls;
- The maintenance of an effective risk management system;
- Liaise directly with external auditors.

The ARCC also ensures the independence of the Company's external auditors by, for example, providing a direct channel of communications between the external auditors and the independent non-executive directors.

The ARCC is also attended by the CEO, the Assurance Director and the Insurance Director as invitees of the committee with no voting rights. The External Auditors and Internal Auditors also attend upon invitation.

The main duties of the ARCC are as detailed below:

- Compliance and Conduct Risk
 - Monitors and reviews the effectiveness of the Company's Compliance function and Conduct Risk Framework;
 - Considers and approves the remit of the Compliance function and validates that it has sufficient resources and appropriate access to information and management to allow it to perform its function effectively.

- Considers the scope and detail of the Compliance Risk Management Plan, the Annual Governance and Compliance Schedule;
 - Monitors progress against the Compliance Risk Management Plan, the Annual Governance and Compliance Schedule and consider the major findings and assess the adequacy of management's response;
 - Reviews and monitors management's responsiveness to the findings and recommendations of the Compliance function.
 - On an annual basis, reviews and recommends the Compliance Policy to the MIL Board for approval.
 - Monitors through committee reporting that the business remains within its stated Regulatory Risk appetite to ensure senior management decision making demonstrates appropriate consideration of Conduct and regulatory Risk.
 - Provides independent challenges to the business regarding the alignment of controls, actions, decisions and/or behaviours.
 - Monitors material Compliance Risk breaches of appetite or other material Regulatory Risk events and ensures that any remedial actions deliver the right customer outcomes.
 - Meets the MIL Executive Director responsible for compliance at least once a year, without management being present to discuss their remit and any issues arising from their work.
- External Audit
 - Considers and makes recommendations to the Board, in relation to the appointment, re-appointment and removal of the Company's external auditor.
 - Reviews the Company's annual audit plan.
 - Appoints actuaries in respect of an independent review of the actuarial reserves.
 - Oversees the relationship with the external auditor including the scope of the audit.
 - Assesses annually the external auditor's independence and objectivity, as well as the thoroughness, efficiency and effectiveness of the audit process ensuring that the MIL Conflicts of Interest Policy are not transgressed through the use of the auditors.
 - Meets regularly with the external auditor.
 - Reviews the findings of the audit with the external auditor and any response from the Company's management. This shall include but not be limited to, the following:

- A discussion of any major issues which arose during the audit;
 - Any accounting and audit judgements; and
 - Levels of errors identified during the audit.
 - Reviews and monitors management's responsiveness to the findings and recommendations of the external auditors.
 - Reviews any representation letter(s) requested by the external auditor before they are signed by management.
 - Reviews the management letter and management's response to the auditor's findings and recommendations.
 - Reviews the Company's annual audit plan.
- Financial Reporting
 - The Committee monitors the integrity of the financial statements of the Company, including its annual reports and accounts.
 - Evaluates the adequacy of financial reporting.
 - Reviews the Company's key financial controls including the reconciliation of all financial reporting measures.
 - Monitors the Company's procedures for ensuring compliance with regulatory and financial reporting requirements and its relationship with the relevant regulatory authorities.
 - Reviews, discusses and approves the Solvency II Quarterly Quantitative Reporting Templates before submission to the regulator;
 - Keeps under review the Company's statutory accounts and other published financial information, including reviewing and challenging where necessary:
 - Reviews the consistency of, and any changes to, accounting policies.
 - Reviews the methods used to account for significant or unusual transactions where different approaches are possible.
 - Reviews all material information presented with the financial statements, such as the directors' report and any corporate governance statement (insofar as it relates to the audit and risk management).
 - Reviews any significant adjustments resulting from the audit.
 - Review the going concern assumption.

- Reviews compliance with legal or regulatory requirements.
- Internal Audit
 - Monitors and reviews the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
 - Considers and approves the remit of the internal audit function and validates that it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.
 - Considers the scope and detail of the Annual Internal Audit Plan (including a full review of the methodology used to construct the plan together with the risk assessment documentation).
 - Ensures that the Company adheres to those requirements as stipulated in the MIL Internal Audit Policy, to those things required by the MIL Board and at all times in compliance with the Company's regulator.
 - Reviews Internal Audit's reports detailing key issues that have arisen through their work and keep under review the findings of Internal Audit and improvements made in response to the findings.
 - Reviews and monitors management's responsiveness to the findings and recommendations of the Internal Auditor.
- Internal Control Environment and other Governance Matters
 - Assesses, on an annual basis, the internal control environment of the Company and makes recommendations to the Board as to the adequacy and robustness of the processes used.
 - Comments as necessary on the maintenance of the Corporate Governance procedures.
- Risk Management Systems
 - Monitors and reviews the effectiveness of the Company's Risk Management Framework.
 - Regularly reviews and appraises all Company risk management activities for the Board.
 - Considers and recommends to the Board the nature and extent of the principal risks of the Company it is willing to take in achieving its strategic objectives.

- Reviews risk landscape and the Company's capability to identify and manage new risk types and ensure that a supportive risk management culture and reward system is embedded and maintained throughout the Company.
 - Assesses the overall appropriateness and effectiveness of risk systems, management information and the development of any risk frameworks or models within the business, including review of scenario assumptions where used.
 - Reviews (at least annually) a report from the Risk Management Function Holder and Compliance Function Holder (Assurance Director) on the effectiveness of risk management operations.
 - Reviews and approves the Company Risk Appetite and Tolerance statements and submit recommendations/comments as appropriate on proposed changes to the Board for discussion and approval.
 - Monitors and reviews the use of management information relating to the management of risk issues operated in the Company.
 - Monitors and reviews all material outsourcing arrangements (i.e. conduct a high level process review).
 - Performs a supporting role to develop and maintain Board level awareness of risk management practices and issues and monitor the effective use and management of practices by Senior and Executive Management.
 - Assists the Board in the management of the ORSA process, taking responsibility for its compilation and assessing, on a forward looking basis, the risks that the company may face within the horizon of the said ORSA and advising the board of such risks in order that its discussed and taken into consideration by the Board throughout the ORSA.
 - Meets the Risk & Compliance Function Holder (Assurance Director) at least once a year, without management being present, to discuss their remit and any issues arising from their work.
- Whistleblowing
 - Reviews the Company's Whistleblowing report and arrangements for its employees colleagues to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. Ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.
 - Reviews the Company's procedures for detecting fraud and systems and controls for prevention of bribery and receives reports on non-compliance and considers appropriate action.
 - Reinsurance

- Annually reviews the Reinsurance Policy and recommends it to the Board for approval.
 - Reviews the reinsurance programme proposed by the Executive Directors ahead of any reinsurance purchase and makes recommendations to the Board about the suitability of the reinsurance programme.
 - Reviews the reinsurance purchase to ensure it is in line with the agreed reinsurance strategy and reinsurance policy.
 - Ensures compliance with the purchased reinsurance programme through reports from the Executive Directors, the Underwriting Quality Review activity undertaken by the Underwriting Function Holder, etc.
- Regulation
 - Ensures adherence to all applicable UK and Gibraltar regulatory and legislative matters.
 - Reporting to MIL Board
 - The Chair of the Committee reports formally to the Board on the matters discussed, addresses and highlights any issues raised in the ARCC following each Committee meeting. Relevant information is to be provided at the following meeting of the Company's Board, or immediately if considered of high importance.
 - The Chair maintains regular dialogues with the Chairs of the Board and the other Board Committees.

Underwriting and Claims Committee

The membership of the Underwriting and Claims Committee (UWCC) consisted of the following:

- Chair (Chair of the Board)
- INED (Consumer Duty champion)
- Chief Executive Officer
- Claims Function Holder
- Underwriting Function Holder
- Assurance Director

The purpose of the UWCC is to assist the Board in meeting its responsibilities to deliver the strategic aims of the Company while managing risk arising from the key activities of underwriting, including pricing, and claims handling.

The main responsibilities of the UWCC are detailed below:

- Underwriting and Pricing
 - Annually reviews the Underwriting Policy and recommends it to the Board for approval.
 - Ensures compliance with Underwriting Policy via oversight of the Underwriting Quality Review process implemented by the Insurance Director.
 - Considers for approval all business opportunities or underwriting proposals brought by the Executive Directors which are outside the CEO's underwriting authority or outside the agreed underwriting policy.
 - Reviews and discusses reports from the Executive Directors on the actual and projected performance of the business including KPIs relating to volumes and loss ratios and provides guidance to the Executive Directors if warranted.
 - Reviews and discusses rate changes, underwriting acceptance changes, product changes, etc. made in the previous quarter and provides guidance to the Executive Directors if warranted.
 - Reviews and discusses any emerging areas of Underwriting Risk such as market trends or legislative changes and their potential impact and provides guidance to the Executive Directors as necessary.
- Claims and Reserving
 - Annually reviews the Claims Handling and Reserving policy and recommends it to the Board for approval.
 - Ensures compliance with the policy via oversight of Claims Quality Review activity undertaken by the Insurance Directors.
 - Reviews and discusses reports from the Executive Director summarising the performance of the claims function and any emerging trends and provides guidance to the Executive Directors as warranted.
 - Receives a report from the Executive Directors on reported large claims to ensure that the claims are being adequately reserved.
- Risk Management
 - Assists the Board in setting insurance risk strategy.

- Assists the Board in setting insurance risk appetite and limits.
- Ensures the insurance risk strategy is adhered to via the Underwriting and Claims policies, with suitable controls and assurance.
- Provides input into the calculation of the Solvency Capital Requirement (SCR) and technical provisions relating to premium and reserving risk.
- Provides input into the Own Risk and Solvency Assessment (ORSA) process relating to Insurance and operational risk.
- Product Governance
 - Annually reviews the Product Oversight and Governance Policy.
 - Ensures compliance with the policy via oversight of new product developments and product reviews undertaken by the Executive Directors.
 - Ensures ongoing suitability of the products by reviewing customer feedback and complaints data provided by the Executive Directors.
- Reporting to the MIL Board
 - The Chair of the Committee reports formally to the Board on the matters discussed, addressed, and highlights any issues raised in the UWACC following each Committee meeting. Relevant information is to be provided at the following meeting of the Company's Board, or immediately if considered of high importance.

Product Oversight and Governance Committee

Due to the co-manufacturing relationship between Marshmallow Insurance Limited and its distributor, Marshmallow Financial Services Limited it was decided to establish a joint Product Oversight and Governance Committee.

As at 31/12/2023, the membership of the Product Oversight and Governance Committee (POGC) was comprised of the following:

- Chair (CEO of MIL)
- Assurance Director (MIL)
- Head of Compliance (MFSL)
- Claims Representative (MFSL)
- Head of Marketing (MFSL)
- VP of Product (MFSL)
- Underwriting representative (MIL)

The committee's main role is to assist the MIL and MFSL Boards in meeting its responsibilities with respect to the following:

1. Ensuring that the products manufactured and distributed do not cause customer detriment.
2. Ensuring that the products manufactured and distributed offer fair value to customers.
3. Ensuring that the products are designed and manufactured to address the requirements of the target market.
4. Ensuring that customers understand the products they are buying and that the right level of support is available to them
5. Ensuring that there is a proportional Product Oversight and Governance process ensuring that all products are reviewed, following an annual or trigger event, before it is distributed to the target market.
6. Ensuring that GIPP rules are adhered to.

The committee shall in general:

- Establish, implement and review the product approval process
- Verify internal compliance with that process
- Set procedures for the:
 - Designing;
 - Monitoring;
 - Reviewing;
 - Distributing &
 - Taking corrective action for products that are detrimental to customers

Related to insurance products in accordance with PROD 4.2.25 UK and Consumer Duty requirements.

The main duties of the Committee are detailed below:

- Product Governance Policy
 - The committee reviews the Product Governance Policy, on an annual basis and recommends to the Board of MIL and MFSL any updates or changes to the said policy that are required because of such a review.
 - The committee commissions, as part of its review, an audit to determine the level of compliance of the different functions of Marshmallow with the policy and communicate its results to MIL's Audit, Risk and Compliance Committee.
- New Products
 - The committee implements, manages, and reviews the New Product Development Process.

- o The committee reviews all submissions of the Insurance Product Approval Paper by Project Managers and return one of the following decisions:
 - a. Approve the roll out of the insurance product.
 - b. Approve the roll out of the insurance product once its recommendations and conditions have been met.
 - c. Request the Project Manager to address its findings, recommendations and conditions and resubmit these to the committee for approval.
 - d. Reject the project citing reasons.
- o Upon approving a product to be rolled out, the committee determines the frequency at which the insurance product shall be reviewed which must be proportional and according to the level of risks that the target market or customers are exposed to by using this product.

- Changes to Products

- o In accordance with the Product Governance Policy, the Head of Underwriting will refer to this committee all product changes where significant changes, as defined by the Product Governance Policy, are being proposed. The proposal for significant changes to the changes to the products will be submitted via the #insurance_product_governance channel.
- o The committee reviews all submissions for a significant change in the existing insurance product and return one of the following decisions:
 - a. Approve the significant changes to the insurance product.
 - b. Approve the significant changes to the insurance product once its recommendations and conditions have been met.
 - c. Request the Head of Underwriting to address its findings, recommendations and conditions and resubmit these to the committee for approval.
 - d. Reject the proposed significant changes to the product citing reasons.

- Product Reviews

- o The committee ensures that all existing products are reviewed on a periodical basis in accordance with the review frequency set by this committee on each of the existing products.
- o The committee considers the Insurance Product Review Paper produced by the MIL's Head of Underwriting and determine whether the product, in question, still:
 - remains consistent with the needs of the identified target market.
 - remains consistent with the fair value assessment required under PROD 4.2.14A R and where relevant PROD 4.2.14B R. and Consumer Duty
 - remains appropriate for the intended distribution strategy.

- o The committee sets out its findings and takes corrective measures, in accordance to the Product Governance Policy, where necessary.
- Monitoring Products
 - o The committee monitors all existing products monthly through submission of MI on each existing product through the #insurance_product_governance channel and reports to the MIL Board.
 - o The committee determines the appropriate MI that requires to be submitted for this purpose.

Operational (First Line) Governance Support

The governance structure is further supported by a number of First Line (Operational) Meeting forums which include:

- Monthly MIL Executive meetings.
- Quarterly INEDs and Assurance Director meetings.
- Monthly Home (MIL) and Host (MFSL) State Compliance Forum.
- Monthly MIL/MFSL Claims Management Forum.
- Monthly MIL/MFSL Pricing, Underwriting and Product Governance Forum.

B.2. Fit and Proper Requirements

MIL has a Fitness and Propriety Policy which is reviewed on an annual basis and based on the Fitness and Propriety principles set by the regulator.

All regulator authorised personnel are required to demonstrate and maintain their fitness and propriety. In accordance with the policy, prior to appointment the candidate follows a stringent screening process carried out by Marshmallow People's Team and an external background screening service. Candidates also undergo preliminary, Technical and Cultural interviews before being appointed.

On an annual basis each regulated individual is required to complete a Fitness & Proprietary self attesting questionnaire confirming their fitness and proprietary to remain in role and are further subject to a background check.

A Board Skills matrix is maintained to ensure that the Board and Committees have the appropriate mix of skills to manage and administer an insurance company. The Board Skills Matrix is reviewed on an annual basis or upon the appointment or resignation of a member of the Board of Directors.

B.3. Risk Management Systems

The Board appointed the Assurance Director as the Risk Management Function holder who has direct reporting lines to the CEO, the ARCC and the INEDs.

Risk Management processes are detailed in the Risk Management Strategy and Policy document which is reviewed on an annual basis by the ARCC and approved by the Board of Directors.

MIL's Risk Management approach is designed to fit with the three risk management pillars underpinning Solvency II and its local equivalent as shown in the diagram below:

The objectives of MIL's Risk Management Framework is to:

- Promptly identify and where possible mitigate material risks and issues at a cost appropriate to the level of such exposure.
- Enhance value creation by recognising opportunities where risk levels may be increased, commensurate with stakeholders' risk appetite, in order to optimise returns.



- Support decision making and improve and maintain transparency and accountability for risk throughout the Group by way of risk reporting and control.
- Protect the MIL's capital by supporting the implementation of a Solvency II compliant framework where appropriate.
- Protect the Marshmallow's Brand and product range.
- Ensure successful implementation and on-going compliance, for The Consumer Duty and implement risk strategies to deliver better customer outcomes.

To achieve its objectives, MIL manages risk according to a framework and governance structure that define clear responsibilities and accountability for risk taking including;

- Documented Policies and Procedures;
- A culture of disciplined risk taking through use of common terminology and systems creating a consistent approach to risk;
- Assignment of key roles and responsibilities across the Risk Management Framework.

Everybody in the company is on the lookout for risks to the business, and this framework gives them the support to do that.

MIL uses the following categories of risks within its risk universe:

- Financial Risks
 - Core
 - Non Core
- Operational Risks
- Legal & Regulatory Risks
- Strategic Risks
- Group Risks
- Insurance Risks
 - Underwriting Risks, including catastrophe risk
 - Reserving Risks
 - Mitigation Risks
- Market Risks
 - Interest Rate Risks
 - Equity Risks
 - Spread Risks
 - Currency Risks
- Credit Risks
 - Reinsurer counterparty risks
 - Intermediaries counterparty risks

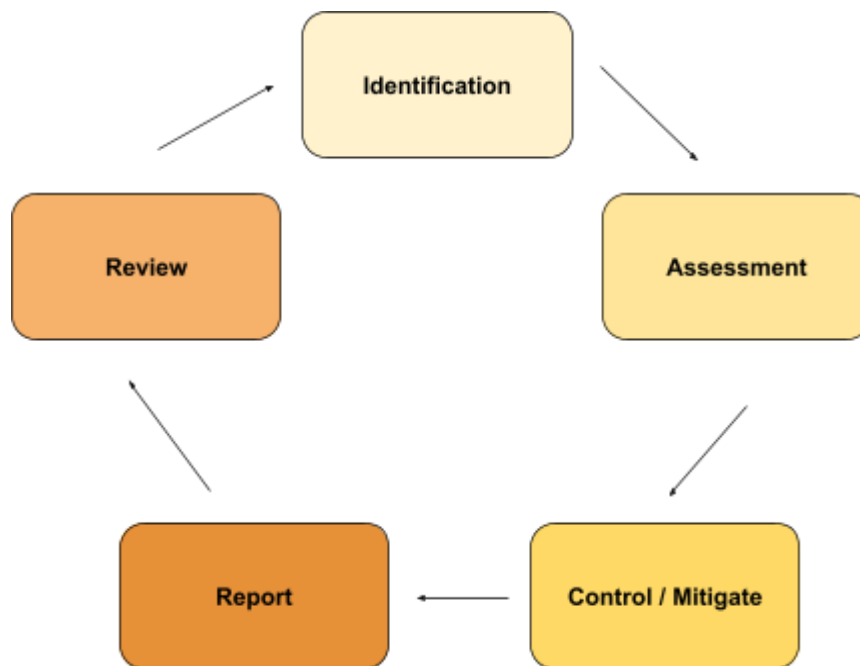
- Liquidity Risks
 - Payment Default risks
 - Suboptimal asset realisation risks
 - Collateral Risks

Risk Management Process

MIL maintains a Risk Register which forms a key part of the Risk Management Framework. The Risk Register is reviewed entirely by the ARCC twice a year whereas all High to Medium (Inherent and Residual) Risks are discussed by the ARCC on a quarterly basis.

MIL operates within a risk taxonomy and has a structured framework and categorisation system to identify, assess and manage risk across the various business functions and operational areas.

The following diagram shows the Risk Management Cycle in respect of each individual risk:



The identification, assessment, control/mitigation and monitoring of risk is a continuous process.

Risk Identification

Everyone within the organisation is encouraged to be risk aware in relation to the overall business objectives and are encouraged to highlight any new risks that may be developing over time in their respective areas to their line managers. Line managers then evaluate and escalate this information to the Senior Lead in their area who in turn escalate to the Risk Owner / Function holder. To

enhance this, First Line Risk registers have been developed at each Business Team level, such as Customer Operations, Fraud, Underwriting, People, Finance etc.

Risk Assessment

Following on is the assessment of the likely frequency and severity of risks, by means of qualitative or quantitative measurement. This stage of the cycle is likely to involve the participation of the risk owners.

Risk Control/Mitigation

The level of each risk must then be transferred or controlled down to a satisfactory level. This stage will not only involve both risk and control owners but also many other departments that are involved in undertaking control activities.

Reporting

It is critical that the relevant information for each key risk is seen by the “right people at the right time” across the business. This information is most likely to be provided by risk and control owners as they are closest to the issues and is reported on a regular, timely and consistent basis. Reporting is often consolidated or reviewed by the person responsible for Risk & Compliance and then escalated up to senior management.

Review

Once the key business risks have been identified, assessed and are subject to controls throughout various parts of the business, it is important to review that these control/mitigation activities are operating effectively and that the risk and control scoring is valid. Assurance is provided over risks and controls by resources which are independent of line management, e.g. Risk Management or Internal Audit.

Risk Appetite

Apart from identifying and classifying the risks that the firm faces, MIL also sets a Risk Appetite and Tolerance to each of these risks.

Risk Appetite reflects the amount of risk taking which is acceptable to MIL. Accordingly, risk appetite refers to MIL’s attitude to risk taking and whether it is willing or able to tolerate a high or low level of exposure to specific risks or risk categories.

Risk Tolerance represents MIL’s ability and willingness to bear risk. When considering this, factors such as the availability of capital, ability to raise capital, strength of underlying operational processes and procedures and strength of the organisation’s operational culture are all relevant.

Risk Treatment

Once the key business risks have been identified and assessed, the level of risk is transferred or controlled down to a level considered satisfactory by management. This will inevitably entail the Risk and Control owners and also other members of staff involved in undertaking relevant control activities.

The main forms of Risk Treatment are as follows:

- Risk Avoidance – where the risk taking activity is deemed to be outside the tolerances of the business and the activity is discontinued;
- Risk Retention – where the risk taking activity is deemed to be within tolerable limits (for example where the probability is very low but the potential impact high, or the probability high but the impact very low), that the risk can be retained with no further mitigating action;
- Risk Mitigation – where the impact and/or likelihood are mitigated by additional internal controls or other treatment;
- Risk Transfer – where the risk bearing activity is transferred to a third party, usually for consideration (for example insurance, for a premium).

MIL deploys a combination of Risk Treatment measures as it sees fit (in common with most other organisations).

Following this, it is important to obtain confirmation that these activities are being performed as expected and that the risk and control scoring is valid. With MIL, this assurance is provided by the First Line of Defence (Risk and Control Owners) by way of the quarterly Risk Workshop process, the Second Line of Defence (Risk Management Function) by way of constructive review and challenge and by the Third line of defence (Internal Audit) by way of independent review and reporting.

Own Risk and Solvency Assessment (ORSA)

The ORSA can be described 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”.

Although the principal output from an assessment of capital under the ORSA process will be an ORSA report; the ORSA is fundamentally a continuous, embedded, forward- looking process, requiring the assessment of the entity’s capital requirements, Risk Appetite and Business Strategy, over a 3 to 5 year planning horizon. The ORSA also considers a range of outcomes in addition to the 1 in 200 return period.

The ORSA policy addresses the key elements of the ORSA process by defining the scope of the MIL ORSA process, the details of the Governance over the ORSA process and the requirement for the production of an ORSA Report on at least an annual basis.

The ownership of the ORSA process and its reports rests with the MIL Board of Directors.

The ORSA Policy details that the ARCC is responsible for on-going oversight of the ORSA framework. Coordination of the ORSA process is the responsibility of the Head of Risk Management.

B.4. Internal Control System and Compliance Function

The objectives of the Compliance Function are to ensure that MIL complies with all relevant rules, regulations, guidance and legislation both in Gibraltar and the UK. The Head of Compliance reports to the ARCC in respect of regulatory and legal matters.

The Compliance Function, applies a risk based approach in setting its annual Compliance monitoring programme, which is called the Compliance Risk Management Plan (CRMP).

The CRMP primarily establishes the Compliance Universe affecting MIL. This is the whole set of rules, regulations, guidelines and legislation that MIL is required to comply with. Having established this, it risks rates for each component part of the universe, setting the likelihood of breaching (before applying controls) and the impact of such a breach. Having identified the risk rate for each component part of the universe, high risk rated components receive higher monitoring activities from the Compliance Function whereas Low risk rated components are monitored on an annual basis.

MIL's Compliance Function also maintains an overview of the state of compliance matters in MFSL, the UK distributor. Weekly meetings with MFSL's Head of Compliance are held together with monthly minuted Home and Host State Compliance meetings. The Head of MIL Compliance also has direct line access to personnel in the UK and systems used by MFSL.

MIL's ACompliance Function also has direct line communications with the INED Chair of the ARCC and the INED Chair of the Board.

B.5. Internal Audit Function

The Internal Audit Function seeks to evaluate the adequacy and effectiveness of business controls focusing on the following areas:

- Governance
- Claims

- Underwriting
- IT Systems
- Compliance
- Risk Management
- Finance and Investments
- Specific areas as identified by the ARCC.

The Chair of the ARCC is the Internal Audit Function Holder. The ARCC has responsibility over the management of the Internal Audit function, whose operational responsibilities are outsourced to PKF Littlejohns.

The independence of the outsourced service providers, PKF Littlejohns, enables the Internal Audit function to act as a third line of defence. Representatives of PKF Littlejohns attend the ARCC meetings on invitation from the Chair.

Internal Audit cycles are planned on an annual basis and are allocated using a risk based approach. The ARCC develops the annual internal audit plan and recommends it to the Board for approval.

B.6. Actuarial Function

Under Solvency II, the Actuarial Function's duties and responsibilities include:

- Producing best estimates of the firm's technical provisions for the Board in line with actuarial standards;
- Reporting to the Board on the adequacy and appropriateness of the analysis and methods used to estimate the technical provisions;
- Assessment of the sufficiency and quality of the data and consistency with data quality standards;
- Provide an opinion on the underwriting approach;
- Provide an opinion on the suitability of the reinsurance arrangements.

The Actuarial Function Holder provides a report to the Board each year which may include recommendations on improvements the Board should consider. As a further control the Board may request reviews of the best estimates of the technical provisions from an external actuarial firm.

B.7 Other Key Roles

Willis Tower Watson (WTW) is contracted to provide insurance management services to MIL. WTW provides support with solvency calculations.

Fiduciary Group is contracted to provide company secretarial services.

B.8. Outsourcing

MIL outsources certain activities to service providers to enable the effective conduct of operations and enhance customer interaction and satisfaction. All material outsourced services are managed in accordance with MIL’s Outsourcing Policy to ensure that the service is carried out in a responsible, diligent manner and the service providers are maintaining services to the required level of delivery and quality as agreed in the Service Level Agreements. In this way it ensures that any outsourced services do not negatively impact on its legal and regulatory obligations and its customers.

The following table sets out the Key Functions outsourced by MIL:

	Function/Services	Jurisdiction
MFSL	Policy Administration and Processing including provision of management information	United Kingdom, Hungary
MFSL	Claims Handling, reserving and settlement	United Kingdom, Hungary
MTL & WTW	Accounting Services & Insurance Management	Gibraltar / United Kingdom
Fiduciary Group	Company Secretarial Services	Gibraltar
SG Kleinwort Hambros Bank	Investment Management	Gibraltar / United Kingdom
Holborn	Actuarial function services	Gibraltar/ United Kingdom
PKF Littlejohns	Internal Audit	United Kingdom

PKF Canillas	Payroll	Gibraltar
MTL	IT Services, IT Support	United Kingdom
WNS	Claims Handling	United Kingdom

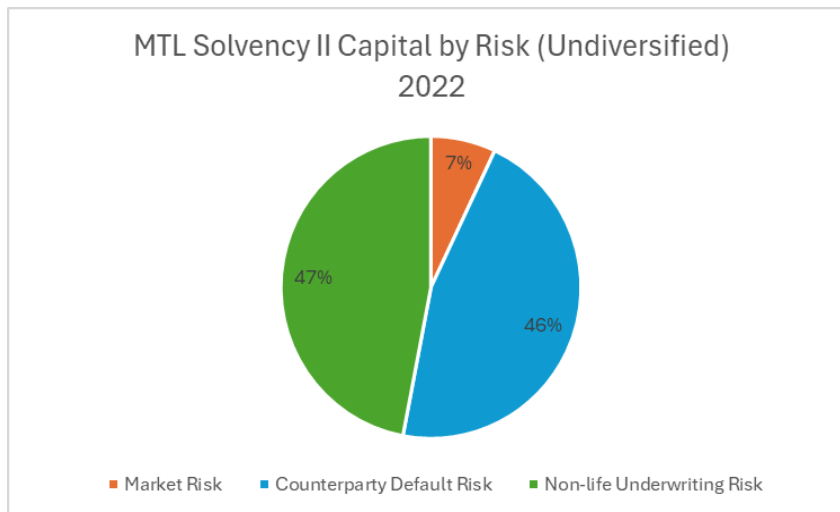
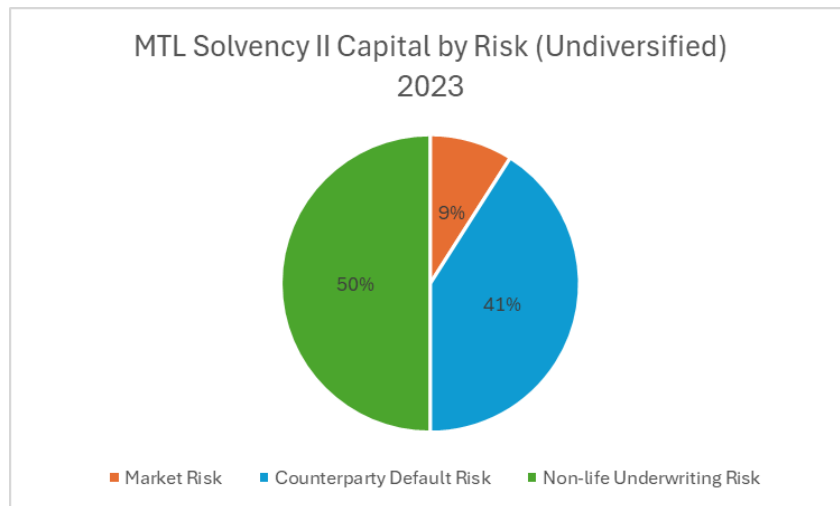
B.9. Any other information

There is no other material information to include.

C. Risk Profile

As part of MIL's governance framework the MIL Board has considered the types of risk that the Company is subject to and has determined the level of risk it is willing to accept in order to achieve its objectives. These risks are quantified and categorised into the headings of underwriting risk, market (investment) risk, counterparty default risk and operational risk.

The table below articulates the risk profile at 31 December, 2023 by reference to the contribution of each risk category to the SCR. Note that the share of the risk occupied by Non-Life Underwriting Risk has increased as a result of increasing business volumes in particular with respect to prospective business volumes.



From a Group perspective the most significant risks fall within MIL, with the exception of strategic risk which represents the risk of making strategic decisions which might expose the Group to losses. Currently the Group is focussed primarily on underwriting and distributing business in the UK, and within that primarily motor business, which minimises strategic risk. Strategic risk is

further controlled by the Group's Board which exercises oversight over strategic decisions and contains non-executive directors with significant experience in senior strategic roles including financial services experience.

C.1. Underwriting Risk

Material Risks

Underwriting risk represents the risk that the liabilities from policies underwritten by the Company exceed the expected cost. This includes the risks that the liabilities are greater than expected when the policy was sold (premium risk) and the risk that the liability is greater than the provisions established by the Company to cover such liabilities (reserving risk). It also covers the risk from widespread events affecting many policyholders (catastrophe risk).

Liabilities can be greater than expected due to there being an increased number of insured events (increased frequency) and/or because those events cost more than expected (severity). The timing of these events might also create an underwriting risk.

MIL currently only underwrites UK Motor Insurance policies, predominantly for Personal Lines customers, with a small proportion of Commercial customers whereby we offer policies for commercial vehicles (non-fleet). All policies are distributed by MFSL, which in turn markets policies largely through price comparison websites. All policies are for a 12-month period, after which MIL can choose to offer a renewal at a different premium to the initial period, or decline to provide a renewal.

The UK Motor market is a highly competitive market, which creates a risk of incorrect pricing or risk selection leading to the under-pricing of underwritten policies. Furthermore, the UK Motor market has been affected by legislative and/or regulatory changes which have increased the expected costs of claims after policies have been sold.

The following are the key underwriting risks identified by the Board:

- Inadequate pricing due to market competition, or an incorrect approach to pricing;
- Unexpected increases in claims frequency and/or severity (i.e. inflation);
- Inadequate claims reserves, including IBNR / IBNER reserves;
- Inappropriate or inadequate reinsurance programme;
- Poor claims handling or underwriting controls leading to leakage;
- High levels of fraudulent business written leads to a deterioration in the loss ratio.

Material Risk Concentrations

MIL's sole class of business is motor insurance, for personal lines policies based in the UK. This therefore represents some concentration risk as an event which impacted this class of business would impact all of MIL's business.

However, policies are underwritten across a wide range of policyholder characteristics, e.g. age, geography, car type. Furthermore, the UK Motor class of business is rarely affected by catastrophic weather events in the same way that UK Property is.

Therefore the Directors do not consider there to be a material underwriting risk concentration.

Risk Mitigations

The primary mitigations for underwriting risk are through the purchase of reinsurance and the implementation of various controls including policies and procedures.

MIL mitigates its underwriting risk through two reinsurance programmes:

- A quota share reinsurance by which MIL cedes a proportion of the premium it receives to a reinsurer, which in return covers a proportion of the claims costs incurred by MIL. This mitigates against claims being more frequent or more severe than expected.
- An excess of loss programme which mitigates the impact of any large claims above a certain deductible.

The controls in place to further mitigate underwriting risk include:

- Review of management information, including underwriting and claims KPI's reviewed monthly by management, and quarterly by a sub-committee of the Board;
- Actuarial reserve reviews provided by an independent external firm;
- Quality checks of policies distributed by MFSL;
- Oversight and audit of claims handlers, and outsourced suppliers;
- Reinsurance policy and strategy reviewed annually by the Board with advice and support from experienced reinsurance brokers;
- Referral points for unusual risks and/or large claims managed through delegated authority;
- Maintenance and regular updates of operational risk registers, including any breaches of policy, control failures or risk events.
- Audited oversight of Underwriting and business processes.

- Experienced Pricing team of ten individuals with data science skill set.

Stress and Sensitivity Testing

As part of the ORSA process MIL carries out various stress tests. These can include stress tests for changes in premium volumes and claims performance (i.e. loss ratio).

The MIL Board plays a critical role in overseeing the entire stress testing process, ensuring the company effectively manages its risks, maintaining financial stability and solvency in the face of adversity. The Board requested a series of stress tests to be carried out in respect of the Holistic Underwriting Risk and its associated granular risks.

C.2. Market Risk

Material Risks

Market risk is the risk of variation in the market value of net assets as a result of changes in the market prices of securities or foreign currencies leading to the fall in value of the company's investments or the income generated from its investments that do not match expectations. It can include:

- Interest rate risk and spread risk - arising from investments in fixed income securities;
- Currency risk - arising if assets and liabilities are in different currencies;
- Equity and Property risk - arising from investments in these classes;
- Concentration risk - arising from excessive exposure to a single class of asset.

MIL follows a low risk investment policy. In 2023 its investments were in managed funds provided by an experienced investment manager investing in UK Gilts and Corporate Bonds. This creates interest rate risk and spread risk.

In 2023 MIL did not invest in equities or property. Therefore MIL has no exposure to these risks.

As an underwriter of UK Motor business, all of MIL's liabilities are in UK Sterling and all of its assets are in UK Sterling. Therefore MIL has no exposure to currency risk.

Material Risk Concentrations

In 2023 MIL's cash deposits were held by a single banking counterparty, Barclays, which created the greatest concentration exposure. All other investments are in funds managed by an experienced investment manager and diversified across a number of fixed interest assets, primarily UK Gilts and Corporate Bonds.

Risk Mitigations

MIL has an investment policy that dictates that all investments should be made in line with the 'prudent person' principle with the primary aim being the preservation of capital.

The investment policy sets out requirements of investments, including consideration of liquidity risk, market risk, and credit risk (spread risk) including limits relating to class, duration and credit rating.

Stress and Sensitivity Testing

Given the low exposure to market risk, stress tests were not run in 2023. This will be reviewed by the Board as more of the cash deposits are invested in funds.

C.3. Counterparty Default Risk

Material Risks

Counterparty default risk (credit risk) arises where money is owed to the Company by a party and is the risk that the party is unwilling or unable to pay the money when it falls due.

MIL is exposed to credit risk from various counterparties:

- Banks who are holding deposits from MIL;
- Reinsurers who may owe MIL money to settle reinsured claims;
- MIL's distribution partner MFSL, who collects money from policyholder's on MIL's behalf;
- Issuers of securities which MIL has invested in.

Counterparty default risk is considered in several policies including the reinsurance policy and the investment policy. The Company has little risk appetite for Counterparty Default Risk and seeks to minimise the risk of counterparty default risk. It is regularly reported on and discussed at the Board.

Material Concentrations

MIL seeks to minimise concentrations with counterparties through several measures:

- Maximum deposit limits with individual banking counterparties;
- Using multiple excess of loss reinsurance providers;
- Investing in a well diversified portfolio of securities with credit ratings in line with the investment policy;
- Requiring customer funds to be held in a trust account by its distribution partner, MFSL;
- Funds must be submitted from its distribution partner (MFSL) within the agreed timeframes.

In 2023, concentration risk was minimised by adding a second quota share partner to the panel with a third partner lined up for 2024. The quota share panel has an A credit rating and above and the quota share arrangement operates on a pay as paid basis, for both premiums and claims, thereby somewhat reducing exposure. As such the Board does not consider the concentration risk to be material.

C.4. Liquidity Risk

Material Risks

Liquidity risk is the risk that the Company does not have the resources to meet its liabilities as they fall due. This may happen because either money owed by reinsurers or intermediaries is not received at the time it is required by the Company to settle a claim or because cash is tied up in long-term investments.

Material Risk Concentrations

The Board does not consider that there are any material concentrations of liquidity risk. The most likely cause for a large outflow of cash from the business is the settlement of a large bodily injury claim. These claims tend to take years to settle therefore there would be plenty of time for the Company to liquidate assets if necessary and arrange with its reinsurers to make sure the funds were received at the time of settlement.

Risk Mitigations

It is the Board's policy to maintain significant cash balances at the Bank and to only invest in highly liquid assets, such as gilts or investment grade corporate bonds. Liquidity risk is considered within the investment policy.

- The quota share reinsurance treaty operates on a 'pay as paid' basis which ensures funds collected by MIL from customers prior to settlement with quota share reinsurers.
- MIL has the ability to make cash calls from reinsurers in the event of a large claim.
- Funds from MIL's distribution partner (MFSL) are submitted within the agreed timeframes.

Stress and Sensitivity Testing

The Board does not consider a specific liquidity stress test to be necessary, however it is considered within other stress tests, for example stress tests relating to changes in volume or loss ratio.

C.5. Operational Risk

Material Risks

Operational risks arise because of inadequate or failed internal processes, failure of personnel or systems crystallising, exacerbating the impact of intrinsic Financial Risk. This includes failure to meet regulatory or legal requirements.

MIL recognises the potential for losses or poor customer outcomes arising as a result of inadequate or failed internal processes, personnel, systems or non-insurance/market related external events.

Operational Risk may occur in one of two ways:

- Through worsening the impact of Financial Risk in the firm (e.g. via a worsening of insurance losses due to failing to apply underwriting controls or inadequate reserving.
- Occur completely independently on its own (e.g. through a financial loss resulting from damage to premises).

Operational Risks offer no direct potential for reward and as such MIL takes a balanced approach to risk management – aiming to avoid or mitigate the impact of risk insofar as is economically justifiable in the context. As explained earlier, Operational Risks can develop either as specific loss events in their own right (e.g. the imposition of a fine) or, particularly in the case of our risk bearing entities, through exacerbating the development of Financial Risk.

Material Risks Concentrations

There are currently no material risk concentrations. Where operational risk development is correlated with one of our categories of Financial Risk, MIL typically records this in the detailed classification applied in the Risk Register and considers the relationship, as appropriate, in the modelling of risk capital.

Our outsourced model is a key consideration for Operational risk. There are various mitigants in place to control this risk as outlined below:

Risk Mitigations

Operational risks are mainly mitigated through MIL's Internal control framework which includes the following:

Compliance Risk Management Plan with monitoring activities on all aspects of the business;

- The use of appropriate financial reporting systems;
- Four-eyes approval and authorisation;
- Reconciliations;

- Monthly Management Accounts produced and checked against agreed budgets;
- Segregation of duties;
- Checks on all key personnel;
- Complaints monitoring and reporting integrated in the Product Governance Process and monitored by the Consumer Duty Champion;
- Data & IT Systems controls and security;
- Disaster and Recovery Plans in place;
- First line operational teams risk registers to quickly identify operational related risks.
- Board Structure in accordance to UK Corporate Governance Code
- Best practise applied to Committee Structure - Terms of reference in existence

Stress and Sensitivity Testing

The Standard Formula already accounts for Operational Risks and a Capital charge is calculated against it.

Risks which are not captured by the Standard Formula are considered by MIL during the ORSA process considering the exposure to outsourced service providers.

The MIL Board has considered an Operational Stress test assuming a loss of £1m and a Regulatory stress test with an imposition of a £1m fine effective in 2024

C.6. Other Material Risks

There are several external environmental and political events that are impacting the economy that are creating emerging risks to the insurance market generally.

Marshmallow recognises that the unfolding global socio and geopolitical emerging risks could significantly impact operations, financial stability and risk management strategies.

1. Political Instability and regulatory changes - changes in government policies and regulatory frameworks can affect risk and compliance strategies.
2. Climate change and extreme weather events - increasing severity and frequency of claims.
3. Cybersecurity threats - increase in data breaches, ransomware attacks and hacking.
4. Health crises / pandemics - as evidenced by Covid-19, pandemics can disrupt global economies, supplier chains and motor parts supplies.

5. Emerging technology and liability risks - advancements in AI, autonomous vehicles and biotechnology can introduce new risks and liabilities necessitating the need for innovative products and risk management frameworks.

6. Global Economic Volatility - economic fluctuations, continuing elevated inflation and volatile currency as well as interest rates can influence premiums and investment returns and overall business performance.

The continuing increasing inflationary pressures on households is also expected to result in more attempts at fraud related financial crimes such as Ghost Brokering and generalised insurance related fraud. Pressure on cost of spare parts, labour rates and overall repair costs are expected to remain high as the cost of living crisis unfolds.

These developments are being closely monitored by MIL in order to respond to the challenges in a timely and efficient manner and the possible impact of these emerging risks is largely covered in the stress test scenarios carried out as part of the ORSA process, e.g. the impact of an increased loss ratio due to unexpectedly high claims inflation. Emerging Risks are also discussed at the ARCC.

C.7. Any other information

There is no further material information to include in this section.

D. Valuation for Solvency Purposes

This chapter provides the value separately for each material class of assets, technical provisions and other liabilities and a description of the bases, methods and main assumptions used for their valuation for solvency purposes under the sections D.1, D.2 and D.3. It also provides a quantitative and qualitative explanation of any material differences between those bases, methods and main assumptions and those used for their valuation in the financial statements.

The table below presents a summarised balance sheet as at 31 December 2023 and 31 December 2022 comparatives, comparing the assets and liabilities as reported in the UK GAAP financial statements to the values reported under Solvency II and setting out the differences between the two. These differences are explained in sections D.1 to D.3.

Marshmallow Technology Group Assets (GBP) 2023	UK GAAP	SII Valuation Principles	Difference
(£000's)			
Deferred Tax Assets	-	-	-
Deferred Acquisition Costs	2,149	-	- 2,149
Intangible Assets	1,729	-	- 1,729
Property, plant & equipment held for own use	3,043	3,043	-
Investments - Deposits other than cash equivalents	28,734	28,734	-
Reinsurance recoverables - Reinsurance share of TP - non-life excluding health	167,009	149,522	- 17,487
Insurance & Intermediaries Receivables	103,050	-	- 103,050
Reinsurance Receivables	-	-	-
Cash & Cash Equivalents	55,772	55,772	-
Any Other Assets, Not Elsewhere Shown	2,079	2,079	-
Total assets	363,566	239,150	- 124,416
	-	-	-
Marshmallow Technology Group Liabilities (GBP) 2023	UK GAAP	SII Valuation Principles	Difference
(£000's)			
Gross Technical Provisions – Non-Life (Excluding Health) - Best Estimate	196,779	167,599	29,180
Gross Technical Provisions – Non-Life (Excluding Health)- Risk Margin	-	757	- 757
Insurance & intermediaries payables	-	103,050	103,050
Short-term debt facility	19,985	19,985	-
Reinsurance payables	62,294	62,294	-
Any other liabilities, not elsewhere shown	38,608	39,901	- 1,293
Total liabilities	317,665	187,485	130,180
	-	-	-
Assets less Liabilities	45,901	51,665	5,764

Marshmallow Technology Group Assets (GBP) 2022	UK GAAP	SII Valuation Principles	Difference
(£000's)			
Deferred Tax Assets	-	-	-
Deferred Acquisition Costs			-
Intangible Assets	1,926		(1,926)
Property, plant & equipment held for own use	2,893	2,893	-
Investments - Deposits other than cash equivalents	17,396	17,396	-
Reinsurance recoverables - Reinsurance share of TP - non-life excluding health	103,106	93,552	(9,554)
Insurance & Intermediaries Receivables	41,534	2,017	(39,518)
Reinsurance Receivables	-	-	-
Cash & Cash Equivalents	36,088	36,088	-
Any Other Assets, Not Elsewhere Shown	4,298	2,335	(1,963)
Total assets	207,241	154,281	(52,960)
	-	-	-
Marshmallow Technology Group Liabilities (GBP) 2022	UK GAAP	SII Valuation Principles	Difference
(£000's)			
Gross Technical Provisions – Non-Life (Excluding Health) - Best Estimate	109,746	64,206	45,540
Gross Technical Provisions – Non-Life (Excluding Health)- Risk Margin	-	707	(707)
Insurance & intermediaries payables	8,262	8,262	-
Reinsurance payables	25,209	25,209	-
Any other liabilities, not elsewhere shown	18,947	8,545	10,402
Total liabilities	162,165	106,929	55,235
	-	-	-
Assets less Liabilities	45,077	47,352	2,275

The Reclassification within Assets / Liabilities are due to the following reasons:

Solvency II requires the accrued interest on the Bonds to be included in the underlying asset type, whereas for UK GAAP reporting this is required to be included in the “Receivables (trade, not insurance)” line.

Solvency II requires the legal form to be followed and unit-linked funds reinsurance contracts are presented as reinsurance recoverables. Under UK GAAP, unit-linked funds reinsurance contracts are treated as investment contracts as required by IFRS 4 and are therefore disclosed in ‘Assets held for index-linked and unit-linked contracts’.

Other reclassification differences exist due to there being a different presentation of asset categories for Solvency II and UK GAAP reporting.

The Reclassification between Assets and Liabilities are due to the following reasons:

Under UK GAAP, participations are valued at their fair value, after adjusting for balances due to or due from MTL. Under Solvency II participations are valued in line with Solvency II valuation rules using the adjusted equity method. Therefore a subsidiary’s own funds value is market consistent.

Although there is no significant difference in the valuations, the debtors and creditors between the participations and MTL are presented differently.

In the Solvency II balance sheet certain balances between the ring-fenced funds and the remaining funds are presented gross. However for the UK GAAP presentation, there is no requirement to show ring-fenced funds separately, therefore where there is a right of set off, these balances are shown net.

Therefore there are offsetting differences, as shown in the section 'Other Liabilities'.

Valuation differences are explained in sections D.1 'Assets', D.2 'Technical provisions' and D.3 'Other liabilities' below.

D.1. Assets

This section sets out the principles of valuation that MTL uses to calculate its assets for solvency reporting and explains the differences compared to the valuation used in MTL's financial statements which are prepared using UK GAAP.

Recognition of Assets

All regular purchases and sales of financial investments are recognised on the trade date i.e. the date the Company commits to purchase or sell the investments. Such purchases or sales of financial investments are those under a contract whose terms require the delivery of assets within the time frame established by regulation or market convention.

Deferred Tax Assets

Under Solvency II Insurance and reinsurance undertaking shall only ascribe a positive value to deferred tax assets ('DTA') where it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unused tax losses or the carry-forward of unused tax credits. Despite the Group becoming profitable in 2023, a DTA has not been recognised until a further year of profit-making as a Group.

Intangible assets

For Solvency II intangible assets are valued at zero unless the intangible assets can be sold separately and it can be demonstrated that there is value for the same or similar assets (i.e. that a value has been derived from quoted prices in active markets). None of the Company's intangible assets have been assessed as meeting these criteria and therefore these are valued at zero. Furthermore, any related deferred tax is written off. For UK GAAP, intangible assets are measured on the balance sheet at cost less accumulated amortisation and any impairment loss recognised to

date. The Company has recognised as intangible assets software which has been developed internally and other purchased technology which is used in managing and executing its business.

Property, Plant and Equipment held for own use

Under UK GAAP and SII, measured at fair value.

Investments - Deposits other than cash equivalents

Consistent with UK GAAP, deposits other than cash equivalents are initially recognised at fair value and subsequently carried at fair value. There was no difference in the valuation of the investments in bonds between the MTL Financial Statements and the Solvency II Balance Sheet. The bond portfolio was valued consistently with the Solvency II regulations (Article 75 1(a) of EU Directive 2009/138/EC).

There were no material assumptions, judgments and estimates made in the valuation. The criteria for assessing market activity, and therefore the ability to rely on market values, include reviewing the issuers, reviewing the availability of market prices, and reviewing the ratings of the assets. Gains or losses arising from the sale of investments and changes in the market value of investments were included in the value of the portfolio.

Reinsurance Recoverables

The value of the Reinsurance recoverable associated with these future cash flows is therefore calculated using the same 'Mark to Model' techniques used to calculate the Best Estimate Liabilities (BEL), see section D.2 'Calculation of the Best Estimate Liabilities' for further details.

The valuation of the reinsurance recoverable asset differs between Solvency II and UK GAAP due to the difference in valuation of the underlying liabilities, see section D.2 'Technical provisions - reconciliation to financial statements' for more information on this. Reinsurance provisions are reduced by £15.75m after allowing for a discounting factor, a loss ratio on the premium provision, an adjustment for ceded Events Not In the Data and a final adjustment for reinsurer default.

Insurance and Intermediaries Receivables

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. Any receivables not yet due are included in the cash flow assumptions used to calculate technical provisions (therefore eliminated and brought back in via the BEL and Risk margin numbers). £103.1m of premium receivables are included as a negative liability in the premium provision.

Reinsurance Receivables

Under UK GAAP and SII, measured at fair value.

Cash and Cash Equivalents

Under UK GAAP and SII, measured at fair value.

Any other Assets, not elsewhere shown

In the Company's UK GAAP statutory accounts, some costs incurred in issuing certain contracts are deferred and amortised in line with Deferred Acquisition Costs ('DAC'). For Solvency II DAC are valued at zero unless they can be sold separately and it can be demonstrated that there is value for the same or similar assets (i.e. that a value has been derived from quoted prices in active markets). Following further review, we believe the principles of our deferred levies costs in the Company have been assessed as meeting these criteria are in line with deferred acquisition costs under SII.

The group sets up a provision in regards to levies, which are recognised in line with gross earned premium. The mechanics of recognising these levy costs is the creation of a liability in line with the total amount due in relation to the expected amounts due in line with gross written premium. An asset is set up against the liability in line with UPR, to defer these costs in line with earned premiums. This asset has been assessed to be valued at zero as the asset cannot be sold separately and it cannot be demonstrated that there is value for the same or similar assets (i.e. that a value has been derived from quoted prices in active markets). The total amount of premium written will be the ultimate payable, so the asset has been removed for SII purposes.

No value is ascribed for certain prepayments under Solvency II, where they cannot be sold separately to a third party, and have been eliminated accordingly.

D.2. Technical Provisions

Technical provisions comprise the Best Estimate of the Liabilities ("BEL") and the Risk Margin.

As at 31 December 2023, the gross Technical Provisions for MTL were:

MTL Group - Technical Provisions 2023 (£000's)	Financial Statements	Solvency II
Best Estimate - Claims Provision	91,463	86,001
Best Estimate - Premium Provision	105,316	81,598
Risk Margin	-	757
Total Gross Technical Provisions	196,779	168,356

MTL Group - Technical Provisions 2022 (£000's)	Financial Statements	Solvency II
Best Estimate - Claims Provision	58,235	56,920
Best Estimate - Premium Provision	51,511	7,825
Risk Margin	-	707
Total Gross Technical Provisions	109,746	65,452

The Group values Technical Provisions using the methodology prescribed by the Solvency II Directive and the regulations made under the Directive.

Best Estimate of Liabilities (BEL)

The BEL reflects a realistic estimate of future claims based on assumptions about the development of future cash flows relating to existing business as at 31 December 2023. The calculations have been performed on a best estimate basis in accordance with Articles 75 to 86 of the Solvency II Directive.

Risk Margin (RM)

The Risk Margin is an addition to the Best Estimate (BE) Liabilities to ensure that the Technical Provisions as a whole are equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations. The risk margin was allocated by SII LOB in proportion to the Gross BE liabilities.

The Company's main Solvency II lines of business are Motor Vehicle Liability Insurance and Other Motor insurance. The table below shows a breakdown of the technical provisions for all lines of business.

MTL Group - Technical Provisions 2023	Motor Vehicle Liability Insurance	Other Motor Insurance	Solvency II
(£000's)			
Best Estimate - Claims Provision	57,621	28,380	86,001
Best Estimate - Premium Provision	54,671	26,927	81,598
Risk Margin	507	250	757
Total Gross Technical Provisions	112,799	55,558	168,356
MTL Group - Reinsurance share of Technical Provisions 2023	Motor Vehicle Liability Insurance	Other Motor Insurance	Solvency II
(£000's)			
Best Estimate - Claims Provision	46,901	23,100	70,001
Best Estimate - Premium Provision	53,279	26,242	79,521
Total Reinsurance share of Technical Provisions	100,180	49,342	149,522
MTL Group - Net Technical Provisions 2023	Motor Vehicle Liability Insurance	Other Motor Insurance	Solvency II
(£000's)			
Claims Outstanding	10,720	5,280	16,000
Premium Provisions	1,392	685	2,077
Risk Margin	507	250	757
Total Net Technical Provisions	12,619	6,215	18,835

MTL Group - Technical Provisions 2023	Motor Vehicle Liability Insurance	Other Motor Insurance	Solvency II
(£000's)			
Best Estimate - Claims Provision	39,512	16,934	56,445
Best Estimate - Premium Provision	5,432	2,328	7,760
Risk Margin	495	212	707
Total Gross Technical Provisions	45,439	19,474	64,912
MTL Group - Reinsurance share of Technical Provisions 2023	Motor Vehicle Liability Insurance	Other Motor Insurance	Solvency II
(£000's)			
Best Estimate - Claims Provision	32,778	14,048	46,826
Best Estimate - Premium Provision	32,708	14,018	46,726
Total Reinsurance share of Technical Provisions	65,486	28,066	93,552
MTL Group - Net Technical Provisions 2023	Motor Vehicle Liability Insurance	Other Motor Insurance	Solvency II
(£000's)			
Claims Outstanding	6,733	2,886	9,619
Premium Provisions	(27,276)	(11,690)	(38,966)
Risk Margin	495	212	707
Total Net Technical Provisions	(20,048)	(8,592)	(28,640)

Reconciliation between IFRS/GAAP and Solvency II

Compared to the statutory accounts, there are the following changes in the technical provisions net of reinsurance, as a result of revaluing them for Solvency II purposes:

- Discounting the cash flows under Solvency II results in a £435k net increase in technical provisions for non-life business.
- Run-off expenses over 5 years leading to a £659k addition to statutory reserves.
- An addition of £89k for probability of default due to reinsurance panel ratings.
- A net £2.8m increase from GAAP UPR due to loss ratios of less than 100%
- A deduction of £15.8m for the removal of GAAP unearned ceding commissions which are disallowed under SII
- The risk margin of £757k is added to the technical provisions under Solvency II.
- A net addition of £77k for events not in data is added to the technical provisions under Solvency II.

MTL Group - Technical Provisions 2023	Financial Statements	Solvency II
(£ 000's)		
Best Estimate - Claims Provision	91,463	86,001
Best Estimate - Premium Provision	105,316	81,598
Risk Margin	-	757
Total Gross Technical Provisions	196,779	168,356
MTL Group - Reinsurance share of Technical Provisions 2023	Financial Statements	Solvency II
(£ 000's)		
Best Estimate - Claims Provision	74,856	70,001
Best Estimate - Premium Provision	92,153	79,521
Total Reinsurance share of Technical Provisions	167,009	149,522
MTL Group - Net Technical Provisions 2023	Financial Statements	Solvency II
(£ 000's)		
Claims Outstanding	16,607	16,000
Premium Provisions	13,163	2,077
Risk Margin	-	757
Total Net Technical Provisions	29,770	18,835

MTL Group - Technical Provisions 2022 (£000's)	Financial Statements	Solvency II
Best Estimate - Claims Provision	58,235	56,445
Best Estimate - Premium Provision	51,511	7,760
Risk Margin	-	707
Total Gross Technical Provisions	109,746	64,912
MTL Group - Reinsurance share of Technical Provisions 2022 (£000's)	Financial Statements	Solvency II
Best Estimate - Claims Provision	48,894	46,826
Best Estimate - Premium Provision	54,212	46,726
Total Reinsurance share of Technical Provisions	103,106	93,552
MTL Group - Net Technical Provisions 2022 (£000's)	Financial Statements	Solvency II
Claims Outstanding	9,341	9,619
Premium Provisions	(2,701)	(38,966)
Risk Margin	-	707
Total Net Technical Provisions	6,640	(28,640)

Technical provisions net of reinsurance are shown in the tables above. The Company has not made use of any long term guarantee measures. Neither have transitional matching adjustments, volatility adjustments, transitional measures on technical provisions or transitional risk-free interest rate term structures (Article 296(2) Solvency II Delegated Regulation) been applied.

D.3. Other Liabilities

This section sets out the principles of valuation that MTL has used to calculate other liabilities for Solvency II reporting. There have been no changes to the recognition and valuation bases used or to estimations during the reporting period for other liabilities.

The table at the top of chapter D shows a summary of the Other liabilities using the Solvency II balance sheet presentation. It also sets out the differences between the valuation of Other liabilities under Solvency II and UK GAAP.

Insurance & intermediaries payables

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. In the previous year, any receivables not yet due were included in the cash flow assumptions used to calculate technical

provisions (therefore eliminated and brought back in via the BEL and Risk margin numbers). In 2023 we noted that given their short-term nature, the carrying amount per the UK GAAP financial statements is considered to represent the fair value for these assets under Solvency II.

Reinsurance payables

Under UK GAAP and SII, measured at fair value.

Any other liabilities, not elsewhere shown

In the Company's UK GAAP statutory accounts, reinsurance commissions, are deferred as a liability and amortised in line with earned premiums. As this liability is a deferral of income that is due to us from the point of ceding the premium, In accordance with the Solvency II valuation rules, nil value has been allocated to deferred income balances and removed from the balance sheet. This led to the removal of the unearned ceded commission of £15.75m from the SII balance sheet. This was previously being included as a negative asset under reinsurance recoverables and hence the removal of this item has increased the net assets on the SII balance sheet. Within the Group we found an asset of £1.29m sitting within any other liabilities. In the interest of prudence we have provided against this, which has led to a reduction in own funds by £1.29m

D.4. Alternative Methods for Valuation

There are no other alternative methods to report other than those already reported in section D.

D.5. Any other information

There is no other material information to report.

E. Capital Management

MIL is part of the MTL Group and in addition to the capital and liquidity held within MIL, MTL holds a substantial amount of capital and liquidity centrally at Group level. This centrally held capital can be deployed into subsidiaries if needed, and therefore provides resilience to absorb potential losses caused by changes in the capital buffer. The solvency and financial condition of MIL therefore must be understood in the context of the resilience and stability of the Group. The Group pools risk, capital and liquidity centrally as much as possible, considering local legal requirements. The Group endeavours to maintain a sufficient capital buffer above the Solvency Capital Requirement (SCR) at local level.

The Group manages its capital to maximise long-term shareholder value while maintaining financial strength and meeting regulatory and solvency requirements.

E.1. Own Funds

The own funds are derived from the excess of assets over liabilities shown on the balance sheet at the top of chapter D (see sections D.1 'Assets', D.2 'Technical provisions' and D.3 'Other liabilities' for valuations of those items). There is a deduction for restricted own funds items in respect of ring-fenced funds as required by Article 70 1 (e) (i) of The Delegated Level 2 Regulations.

With the removal of the Net Deferred Tax Assets which were recognised in prior year, all own funds items are in tier one and are available:

- i) to meet the Solvency Capital Requirement (SCR).
- ii) to meet the Minimum Capital Requirement (MCR).

The composition of own funds is set out in the table below:

Composition of Own funds 2023	31 December 2023
	£'000
Assets	89,629
Technical Provisions	84,216
Other Liabilities	(122,180)
Excess of Assets over Liabilities	51,665
Adjustment for restricted own fund items in respect of ring fenced funds	-
Total Basic Own Funds after deductions	51,665
Total available and eligible Own Funds to meet SCR	51,665
SCR	16,076
Excess available funds for SCR over SCR	35,589
Ratio of Eligible Own Funds to SCR	321%
Total available and eligible Own Funds to meet the MCR	51,665
MCR	4,019
Excess available funds for MCR over MCR	47,646
Ratio of Eligible Own Funds to MCR	1286%

Composition of Own funds 2022	31 December 2022
	£'000
Assets	60,729
Technical Provisions	28,639
Other Liabilities	(42,016)
Excess of Assets over Liabilities	47,352
Adjustment for restricted own fund items in respect of ring fenced funds	-
Total Basic Own Funds after deductions	47,352
Total available and eligible Own Funds to meet SCR	47,352
SCR	10,586
Excess available funds for SCR over SCR	36,766
Ratio of Eligible Own Funds to SCR	447%
Total available and eligible Own Funds to meet the MCR	47,352
MCR	3,186
Excess available funds for MCR over MCR	44,165
Ratio of Eligible Own Funds to MCR	1486%

The own funds split by tier are set out in the table below:

MTL Group (£000) 2023	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Share premium account related to ordinary share capital and Share Capital	79,451	79,451			
Surplus funds	(33,550)	(33,550)			
Reconciliation reserve	5,764	5,764			
An amount equal to the value of net deferred tax assets	-				-
Total basic own funds after deductions	51,665	51,665			-

MTL Group (£000) 2022	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Share premium account related to ordinary share capital and Share Capital	79,451	79,451			
Surplus funds	(34,374)	(34,374)			
Reconciliation reserve	2,275	2,275			
An amount equal to the value of net deferred tax assets	-				-
Total basic own funds after deductions	47,352	47,352			-

Reconciliation from UK GAAP to Solvency II excess of assets over liabilities.

The tables below represent the adjustments already stated within Section D, and how the Own Funds position under Solvency II can be reconciled to the financial statements: For MTL's Own Funds excess of assets over liabilities, the attribution of valuation differences is as follows:

Reconciliation of Own Funds to Statutory Financial Statements 2023		Gross solvency capital requirement £'000
Own Funds per Financial Statements		45,901
Addition of Deferred Tax Assets		-
Removal of Deferred Acquisition Costs	-	2,149
Removal of Intangible Assets	-	1,729
Difference in Reinsurance recoverables - Reinsurance share of TP - non-life excluding health	-	17,487
Difference in any other assets, not elsewhere shown		-
Difference in Gross Technical Provisions – Non-Life (Excluding Health) - Best Estimate		29,180
Addition of Gross Technical Provisions – Non-Life (Excluding Health)- Risk Margin	-	757
Difference in any other liabilities, not elsewhere shown	-	1,293
Own Funds per Solvency II Valuation		51,665

Reconciliation of Own Funds to Statutory Financial Statements 2022	Gross solvency capital requirement £'000
Own Funds per Financial Statements	45,077
Addition of Deferred Tax Assets	-
Removal of Deferred Acquisition Costs	-
Removal of Intangible Assets	(1,926)
Difference in Reinsurance recoverables - Reinsurance share of TP - non-life excluding health	(9,554)
Difference in Insurance & Intermediaries Receivables	(39,518)
Difference in any other assets, not elsewhere shown	(1,963)
Difference in Gross Technical Provisions – Non-Life (Excluding Health) - Best Estimate	45,540
Addition of Gross Technical Provisions – Non-Life (Excluding Health)- Risk Margin	(707)
Removal of Insurance & intermediaries payables	10,402
Own Funds per Solvency II Valuation	47,352

The difference in valuation of technical provisions is also due to discounting, as well as the risk margin in Solvency II.

The above differences are explained in more detail in Sections D.1 and D.2 respectively.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

The SCR and MCR have been calculated in accordance with the Standard Formula, including allowances for reinsurance. No simplified calculations nor any Company specific parameters have been used in the application of the Standard Formula.

Solvency Capital Requirement

The table below presents the amount of MTL's Solvency Capital Requirement by risk categories as per the Standard Formula Model at the valuation date. Note that the final amount of the Solvency Capital Requirement is still subject to supervisory assessment as per Article 297(2)(a) in the Solvency II Delegated Regulation.

MTL's SCR components by risk type are as follows:

Marshmallow Technology Group Assets (GBP) (£000's) 2023	Gross solvency capital requirement
Market risk	1,322
Counterparty default risk	6,176
Life underwriting risk	-
Health underwriting risk	-
Non-life underwriting risk	7,564
Diversification	(2,697)
Basic Solvency Capital Requirement	12,366
Operational risk	3,710
Solvency Capital Requirement excluding capital add-on	16,076

Marshmallow Technology Group Assets (GBP) (£000's) 2022	Gross solvency capital requirement
Market risk	705
Counterparty default risk	4,525
Life underwriting risk	-
Health underwriting risk	-
Non-life underwriting risk	4,610
Diversification	(1,697)
Basic Solvency Capital Requirement	8,143
Operational risk	2,443
Solvency Capital Requirement excluding capital add-on	10,586

The N-L UW component of the SCR has increased primarily due to the growth of the business but, in a change from the 2022 SFCR, there is an additional contribution due to recognising that XoL recoveries on unearned exposures are shared with QS reinsurers.

No simplifications or undertaking-specific parameters are used in the SCR calculations.

Minimum Capital Requirement

The table below shows the inputs into the MCR calculation as at 31 December 2023. The absolute floor of the minimum capital requirement is EUR 4,000k (£3,495k).

Marshmallow Technology Group Assets (GBP) (£000's) 2022	Net (of RI) best estimate Technical Provisions	Net (of RI) Written premiums in the last 12 months
Motor Vehicle Liability	(20,048)	8,541
Other Motor	(8,592)	949
Linear MCR	-	1,165
SCR	-	10,586
Cap	-	4,764
Absolute Floor of the MCR	-	3,186
Minimum Capital Requirement	-	3,186

Marshmallow Technology Group Assets (GBP) (£000's) 2023	Net (of RI) best estimate Technical Provisions	Net (of RI) Written premiums in the last 12 months
Motor Vehicle Liability	(24,238)	6,872
Other Motor	(48,476)	13,743
Linear MCR	-	1,677
SCR	-	16,076
Cap	-	7,234
Floor	-	4,019
Absolute Floor of the MCR	-	3,495
Minimum Capital Requirement	-	4,019

The Minimum Capital Requirement (“MCR”) reflects the minimum level of security below which the amount of financial resources should not fall. The company’s linear MCR (based on the company’s net TPs) falls below the absolute floor that is prescribed by the standard formula approach. However, the MCR Floor (based on 25% of the SCR) is now above the absolute floor so that the MCR of MTL as at 31 December 2023 is set to the SCR floor of GBP 4,019k.

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

The MTL Group is not permitted to use the duration-based equity risk sub-module of the Solvency II regulations.

E.4. Differences between the standard formula and any internal model used

MTL applies the Standard formula model and does not use an internal model to calculate the SCR.

The SCR and MCR have been calculated in accordance with the Standard Formula, including allowances for reinsurance. No simplified calculations nor any Company specific parameters have been used in the application of the Standard Formula.

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

The Group and the insurer have been compliant with the minimum capital requirement and solvency capital requirement throughout 2023.

E.6. Any other information

The directors do not consider there is any further information to disclose regarding the capital management of the company.

Appendices:

- 1. Marshmallow Insurance Limited - Quantitative Reporting Templates**
- 2. Marshmallow Technology Limited - Quantitative Reporting Templates**

Marshmallow

Solvency and Financial Condition Report

Disclosures

31 December

2023

(Monetary amounts in GBP thousands)

General information

Undertaking name	Marshmallow Insurance Limited
Undertaking identification code	984500I7D6D1C7MB3F39
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GI
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
- S.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
		C0010
	Liabilities	
R0510	Technical provisions - non-life	93,715
R0520	<i>Technical provisions - non-life (excluding health)</i>	93,715
R0530	<i>TP calculated as a whole</i>	-74,670
R0540	<i>Best Estimate</i>	167,599
R0550	<i>Risk margin</i>	786
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
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	17,600
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	2,047
R0900	Total liabilities	113,362
R1000	Excess of assets over liabilities	33,097

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Gross Claims Paid (non-cumulative)													
(absolute amount)													
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Development year											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0
R0160	-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	0
R0180	-7	0	0	0	0	0	0	0	0	0	0	0	0
R0190	-6	0	0	0	0	0	0	0	0	0	0	0	0
R0200	-5	0	0	0	0	0	0	0	0	0	0	0	0
R0210	-4	0	0	0	0	0	0	0	0	0	0	0	0
R0220	-3	0	0	0	0	0	0	0	0	0	0	0	0
R0230	-2	8,465	12,796	3,698	0	0	0	0	0	0	0	3,698	24,958
R0240	-1	29,612	25,947	0	0	0	0	0	0	0	0	25,947	55,559
R0250	0	44,506	0	0	0	0	0	0	0	0	0	44,506	44,506
R0260	Total											74,150	125,023

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
	Development year											Year end (discounted data)	
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	
R0160	-9	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	0	
R0190	-6	0	0	0	0	0	0	0	0	0	0	0	
R0200	-5	0	0	0	0	0	0	0	0	0	0	0	
R0210	-4	0	0	0	0	0	0	0	0	0	0	0	
R0220	-3	0	0	0	0	0	0	0	0	0	0	0	
R0230	-2	28,462	-18,394	4,347	0	0	0	0	0	0	0	4,085	
R0240	-1	48,248	23,647	0	0	0	0	0	0	0	0	22,221	
R0250	0	61,981	0	0	0	0	0	0	0	0	0	58,245	
R0260	Total											84,551	

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	1,878		
R0020 Counterparty default risk	4,742		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	7,520		
R0060 Diversification	-2,750		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	11,390		
	C0100		
Calculation of Solvency Capital Requirement			
R0130 Operational risk	3,417		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes			
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 Solvency Capital Requirement excluding capital add-on	14,807		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	14,807		
Other information on SCR			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
Approach to tax rate			
R0590 Approach based on average tax rate	0		
Calculation of loss absorbing capacity of deferred taxes			
	LAC DT		
	C0130		
R0640 LAC DT			
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	0		
R0670 LAC DT justified by carry back, current year	0		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	0		

USP Key

For life underwriting risk:

- 1 - Increase in the amount of annuity benefits
- 9 - None

For health underwriting risk:

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

For non-life underwriting risk:

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

Marshmallow

Solvency and Financial Condition Report

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31 December
2023

(Monetary amounts in GBP thousands)

General information

Participating undertaking name	Marshmallow Technology Limited
Group identification code	9845006C0EVA5D1B6011
Type of code of group	LEI
Country of the group supervisor	GI
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
- S.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
- S.23.01.22 - Own Funds
- S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
- S.32.01.22 - Undertakings in the scope of the group

S.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	3,043
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	28,734
R0080	<i>Property (other than for own use)</i>	
R0090	<i>Holdings in related undertakings, including participations</i>	
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	22,551
R0140	<i>Government Bonds</i>	10,882
R0150	<i>Corporate Bonds</i>	11,669
R0160	<i>Structured notes</i>	
R0170	<i>Collateralised securities</i>	
R0180	<i>Collective Investments Undertakings</i>	6,183
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	
R0210	<i>Other investments</i>	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	149,522
R0280	<i>Non-life and health similar to non-life</i>	149,522
R0290	<i>Non-life excluding health</i>	149,522
R0300	<i>Health similar to non-life</i>	
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	55,772
R0420	Any other assets, not elsewhere shown	2,079
R0500	Total assets	239,151

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	168,356
R0520	<i>Technical provisions - non-life (excluding health)</i>	168,356
R0530	<i>TP calculated as a whole</i>	
R0540	<i>Best Estimate</i>	167,599
R0550	<i>Risk margin</i>	757
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	
R0580	<i>Best Estimate</i>	
R0590	<i>Risk margin</i>	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	19,985
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	-103,050
R0830	Reinsurance payables	62,294
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	39,901
R0900	Total liabilities	187,485
R1000	Excess of assets over liabilities	51,665

S.23.01.22

Own Funds

Basic own funds before deduction for participations in other financial sector

Own funds when using the D&A, exclusively or in combination of method 1

- R0450 Own funds aggregated when using the D&A and combination of method
- R0460 Own funds aggregated when using the D&A and combination of method net of IGT
- R0520 Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)
- R0530 Total available own funds to meet the minimum consolidated group SCR
- R0560 Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)
- R0570 Total eligible own funds to meet the minimum consolidated group SCR (group)
- R0610 **Minimum consolidated Group SCR**
- R0650 **Ratio of Eligible own funds to Minimum Consolidated Group SCR**
- R0660 **Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**
- R0680 **Group SCR**
- R0690 **Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**

Reconciliation reserve

- R0700 Excess of assets over liabilities
- R0710 Own shares (held directly and indirectly)
- R0720 Forseeable dividends, distributions and charges
- R0730 Other basic own fund items
- R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- R0750 Other non available own funds
- R0760 **Reconciliation reserve**

Expected profits

- R0770 Expected profits included in future premiums (EPIFP) - Life business
- R0780 Expected profits included in future premiums (EPIFP) - Non- life business
- R0790 **Total Expected profits included in future premiums (EPIFP)**

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0				
0				
51,665	51,665	0	0	0
51,665	51,665	0	0	0
51,665	51,665	0	0	0
51,665	51,665	0	0	0
4,019				
1285.56%				
51,665	51,665	0	0	0
16,076				
321.39%				
C0060				
51,665				
45,901				
0				
5,764				
0				

S.32.01.22

Undertakings in the scope of the group

	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	9845006COEVA5D1B6011	LEI	Marshmallow Technology Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	Non-mutual	
2	GB	11005345	Specific code	Marshmallow Financial Services Limited	Other	Company limited by shares	Non-mutual	
3	GI	98450017D6D1C7MB3F39	LEI	Marshmallow Insurance Limited	Non life insurance undertaking	Company limited by shares	Non-mutual	Gibraltar Financial Services Commission
4	HU	27720299-2-41	Specific code	Marshmallow Technology Hungary Kft	Other	Company limited by shares	Non-mutual	

S.32.01.22

Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation	
				% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking	
C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
1	GB	9845006COEVA5D1B6011	LEI	Marshmallow Technology Limited	100.00%				Dominant		Included in the scope		Method 1: Full consolidation
2	GB	11005345	Specific code	Marshmallow Financial Services Limited							Included in the scope		Method 1: Full consolidation
3	GI	984500I7D6D1C7MB3F39	LEI	Marshmallow Insurance Limited						100.00%	Included in the scope		Method 1: Full consolidation
4	HU	27720299-2-41	Specific code	Marshmallow Technology Hungary Kft							Included in the scope		Method 1: Full consolidation