

United Kingdom Mutual War Risks Association Limited

UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

SOLVENCY AND FINANCIAL CONDITION REPORT

FOR THE YEAR ENDED 20 FEBRUARY 2026

United Kingdom Mutual War Risks Association Limited

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United Kingdom Mutual War Risks Association Limited

SUMMARY

Solvency UK regime requires new reporting and public disclosure arrangements to be put in place by insurers and some of that is required to be published on the Company's public website. This document The Solvency and Financial Condition Report ("SFCR") is required to be published by United Kingdom Mutual War Risks Association Limited ("the company") ("UKWR").

This report covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The ultimate administrative body that has the responsibility for all of these matters is the Company's Board of Directors, with the help of various governance and control functions that it has put in place to monitor and manage the business.

The Company's financial year runs to 20 February each year and it reports its results in US dollars.

For Solvency purposes the Company uses the standard formula to calculate its Solvency capital requirement (SCR) and as a mutual mono line insurer of merchant ships against war risks of its Members, the Company's insurance business is classified as Marine, Aviation and Transport (MAT) for Solvency UK purposes. Although all business is underwritten from the United Kingdom, its Members are dispersed internationally.

Following the decision of the United Kingdom to leave the EU by the 31 January 2021, the Managers have in place an agreement with the UK P & I Club N.V (UKNV) based in Rotterdam to front all EEA business for the Company. This will ensure that the Company continues to offer high quality, competitively priced cover to Members, based in the EU with as little disruption as possible. Although this will involve additional cost, this will be absorbed by the Association with no impact on premium rates.

The Company recognises the need to remain competitive in a war risks market that remains supplied with plentiful underwriting capacity. This has benefits in terms of the reduction in the cost of the Company's reinsurance programme with these benefits having been passed on to Members. At the 2025 renewal, a Discretionary Continuity Credit was made to Members who renewed their entries. Individual Members returns were made by reference to their capital Entered and are being made to reward loyalty as well as to emphasise the Board's commitment to provide all Members, both large and small, with the best possible terms. Additional Premium rates will continue to be kept under constant review during the coming year. The Company's competitiveness, both in terms of premium levels and the breadth of cover it offers, has ensured a high retention rate of Members in recent years.

During the year under review, the Company had a surplus of US\$2.256m after making a Discretionary Continuity Credit of US\$3.000m.

United Kingdom Mutual War Risks Association Limited

SUMMARY (continued)

The Company's investment portfolio also performed well in difficult market conditions generating an investment income of US \$5.202m, (2025:US\$5,017m).

After the reporting date of 20 February 2026, geopolitical tensions and security incidents in and around the Strait of Hormuz have increased, raising the risk of disruption to shipping and associated costs (including freight, fuel and insurance).

In the financial statements prepared under UK GAAP financial statements this event has been assessed as a non-adjusting event, as it does not provide evidence of conditions that existed at the reporting date. Accordingly, no adjustment has been made to the financial statements in respect of this event

Under the Solvency UK Delegated Regulations, all bound business must be taken into account at year-end when determining the premium provision best estimate claims. This year-end, this includes the exposure in the Persian Gulf arising from the aforementioned conflict.

Under the Solvency UK Directives these forecast claims must correspond to the probability-weighted average of future cash-flow. A scenario analysis has been conducted using the Managers' expert judgment to arrive at a forecast of claims relating to the Persian Gulf exposure. This has increased the gross technical provisions by \$33.4m and the reinsurance technical provisions by \$27.5m.

In addition, because of the Company's reinsurance programme, it is protected from claims arising above the AAD of \$3million. Surplus of the Company as at 20 February 2026 now stand at US\$58.707m.

A further testament of the Company's strength is that for the thirteenth-year running it has retained its A.M. Best, A- Stable rating. The rating reflects the Company's excellent risk adjusted capitalisation, its record of accomplishment of operating performance and its established profile as a specialist underwriter of war risk insurance for ships.

For solvency purposes, the Company's own basic funds are US\$57.438m. Its Solvency Capital Requirement (SCR) is US\$19.836m; at the year-end, the Company exceeded its regulatory capital requirement by US\$37.602m (ratio of 290%).

The Company's Minimum Capital Requirement (MCR) has been calculated at US\$4.959m. At the year-end, the Company exceeded its minimum capital requirement by US\$52.479m (ratio of 1158%).

United Kingdom Mutual War Risks Association Limited

DIRECTORS' REPORT

Directors' Responsibilities

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report in all material respects in accordance with the PRA Rules and the Solvency UK Regulations. The Solvency UK Directive, the Delegated Acts, related Implementation Rules, Technical Standards and Guidelines, as well as PRA rules provide the regulatory framework in which the Company operates. The Solvency UK rules and regulations include, but are not limited to, the recognition and measurement of its assets and liabilities including Technical Provisions and Risk Margin, the calculation of its capital requirement and the reporting and disclosures of the Solvency UK results.

Directors' Statement

We are satisfied that:

- throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA Rules and the Solvency UK Regulations as applicable to the insurer; and
- it is reasonable to believe that the Company has continued so to comply subsequently and will continue so to comply in future.

Statement of disclosure of information to auditors:

In accordance with Section 418 of the Companies Act 2006, each of the persons who is a director in office at the date this report is approved, confirms that: (a) so far as each of them is aware, there is no relevant audit information of which the auditors are unaware; and (b) each of them has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board



Rajiv A A Harnal

Chief Financial Officer

United Kingdom Mutual War Risks Association ("the company")

28 May 2026

United Kingdom Mutual War Risks Association Limited

AUDITORS REPORT

Report of the external independent auditor to the Directors of United Kingdom Mutual War Risks Association Limited pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency UK firms.

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

Opinion

Except as stated below, we have audited the following documents prepared by United Kingdom Mutual War Risks Association Limited (the "Association") as at 20 February 2026:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of United Kingdom Mutual War Risks Association Limited as at 20 February 2026, ('the Narrative Disclosures subject to audit');
- Association templates IR.02.01.02, IR.17.01.02, IR.23.01.01, IR.25.04.21, IR.28.01.01 ('the Templates subject to audit').

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

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

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Association templates IR.05.04.02, IR.05.02.01, IR.19.01.21; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the solvency and Financial Condition Report ('the Responsibility Statement').

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

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition and the relevant templates of United Kingdom Mutual War Risks Association Limited as at 20 February 2026 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency UK regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determination.

United Kingdom Mutual War Risks Association Limited

AUDITORS REPORT (continued)

Basis for opinion

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

Conclusions relating to going concern

In auditing the Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Association's ability to continue to adopt the going concern basis of accounting included:

- Review of the latest available Own Risk and Solvency Assessment ('ORSA') return to ensure compliance with regulatory solvency requirements, noting the Association to be in excess of the minimum solvency requirement;
- Checked the solvency through reference of sufficiency of assets to meet liabilities and the adequacy of regulatory capital;
- Review of the budget for the next 12 months considering the validity of assumptions made; and
- Enquiries of the Directors and scrutiny of management information, board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the ability to continue as a going concern.

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

United Kingdom Mutual War Risks Association Limited

AUDITORS REPORT (continued)

Emphasis of Matter – Basis of Accounting

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

Other Information

The Directors are responsible for the Other Information.

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency UK regulations which have been modified by the modifications and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency UK regulations on which they are based.

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

United Kingdom Mutual War Risks Association Limited

AUDITORS REPORT (continued)

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

- Obtaining an understanding of the legal and regulatory framework applicable to the Association's operations and the control environment in monitoring compliance with laws and regulations;
- Review of correspondence with the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA');
- Review of the assumptions and methodology applied by the Association in the valuation of the best estimate to consider whether the methods utilised are in compliance with Technical Actuarial Standards (TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance), using our actuaries as audit specialists;
- Review of minutes of board meetings throughout the period; and
- Agreement of the SFCR to underlying supporting documentation.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>

United Kingdom Mutual War Risks Association Limited

AUDITORS REPORT (continued)

Report on Other Legal and Regulatory Requirements.

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

DocuSigned by:

Alexander Barnes

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Alexander Barnes (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street,
London.
W1U 7EU
28 May 2026

United Kingdom Mutual War Risks Association Limited

A. BUSINESS AND PERFORMANCE

A.1. BUSINESS

The Company is incorporated in England as a Company limited by guarantee and with no share capital. In the event of liquidation, the net assets of the Company are to be distributed amongst Members and former Members in proportions and amounts as the Directors shall decide.

The Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") regulate the Company. The PRA is located at 20 Moorgate, London, EC2R 6DA, United Kingdom and the FCA at 12 Endeavour Square, London, E20 1JN, United Kingdom.

The external auditors of the Company are BDO LLP situated at 55 Baker Street, London, W1U 7EU.

During the year, the Company's principal activity was the insurance of merchant ships against war risks.

The Company is a mono line Insurance Company that only writes one line of business -the insurance of merchant ships against war risks.

In 1913, the Membership of the Company was exclusively UK flagged. Over time, insurance and shipping became global businesses and the Membership developed to include ships that were UK owned but not UK flagged. Since 2009, Membership has been international open to ship owners with no connection to the UK.

The main geographical areas that the Company writes its business are Belgium, Egypt, Singapore, Switzerland, America, Monaco, Germany and China.

The table below compares the number of ships entered in the Company and the total entered value over the last three accounting years.

On 20 February	2026	2025	2024
Number of ships	965	878	715
Total entered value US\$	\$30.08bn	\$26.77bn	\$26.77bn

The total entered value has increased as a result of new members.

The Company will continue diversifying the Membership, welcoming more Members from outside the UK and making the Membership more international.

During the year, the Directors agreed to a Discretionary Continuity Credit of US \$3.000m to its Members, apart from this there has been no business or other events that had a material impact on the Company.

United Kingdom Mutual War Risks Association Limited

A.2. UNDERWRITING PERFORMANCE

The Company's EEA business is written in Rotterdam through its fronting arrangement with the UK P & I Club N.V (UKNV) and its non EEA business is underwritten from the UK, however Members are internationally dispersed. The Company writes only one line of business that is the insurance of War Risks for its Members. For further information on underwriting performance by material geographical area refer to Quantitative Reporting Template ("QRT") IR.05.02.01 which forms part of the Company's annual regulatory reporting requirement.

For the year ended 20 February 2026, the Company produced a surplus of US\$2.254m as detailed further in the table below that is a summary of the Company's Income and Expenditure account. The Financial Statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), Financial Reporting Standard 103, "Insurance Contracts" (FRS 103) and the Companies Act 2006.

The table below compares the key financial information from the 2026 financial year with the corresponding figures from the 2025 financial year.

Year ended 20 February	2026	2025
All figures in US\$ 000		
Gross premium written	18,451	15,911
Discretionary Continuity Credit	(3,000)	(2,457)
Outward reinsurance premium	(4,117)	(6,266)
Change in net provision for unearned premium	253	40
Other technical income	1,019	1,832
Acquisition and administration costs	<u>(14,117)</u>	<u>(9,142)</u>
Operating surplus on the technical account	(1,511)	(82)
Surplus/(deficit) for the year after tax	<u>2,257</u>	<u>3,699</u>
Reserves brought forward	<u>56,451</u>	<u>52,752</u>
Reserves carried forward	<u>58,707</u>	<u>56,451</u>

United Kingdom Mutual War Risks Association Limited

A.2. UNDERWRITING PERFORMANCE (continued)

This year the Directors decided to return US\$3.000m by a way of a Discretionary Continuity Credit to Members renewing their entries to reward their loyalty as the Association continues to benefit from having strong capital reserves.

Other technical income relates to the commission earned by the company for placing reinsurance of its Members in respect of their annual premium as well as the premium for calls to additional premium areas.

Acquisition and administration costs are higher than last year primarily due to increased brokerage fees payable on increased premium earned, impact of exchange rate as the Company's main expenses are paid in pound sterling (of which the management fee is the main component) and finally the normal inflation expense increases.

The Company's primary investment objective is to conserve and accumulate capital in order to cover future obligations and support the business objectives. The secondary objective is to earn greater returns than the benchmarks set out in the Investment Mandate. The return for the year ended 20 February 2026 was 9.74% (2025:9.88%).

The positive return for the year was a result of increases in equities offset by falls in the fixed income classes of assets held in the portfolio.

The reinsurance contract has a US\$1,000,000,000 limit for Hull and a P&I limit of US\$500,000,000 each vessel. There is a sub-limit for Russia /Ukraine / Belarus ("RUB") of US\$300,000,000 each vessel for both Hull and P&I separately.

United Kingdom Mutual War Risks Association Limited

A.3. INVESTMENT PERFORMANCE

In accordance with the Investment Policy, the investment Mandate is updated on a regular basis, with a full review-taking place every three years.

Invested assets split by asset class as at 20 February 2026:

	2026	2025
	US\$'000	US\$'000
Asset class		
Government fixed interest securities	27,386	9,606
Fixed Income Corporate Bonds	12,099	13,708
Equities	17,695	19,978
Derivatives	(24)	-
UCITS	2,350	13,682
	<u>59,506</u>	<u>56,974</u>

The following table details the Company's investment income by asset class as reported in the Company's UK GAAP financial statements:

	2026	2025
	US\$'000	US\$'000
Asset class		
Dividends from equities	259	358
Interest on bonds and government stocks	969	636
Interest on bank deposits	3	28
Exchange gain/(loss) during the year	(84)	89
	<u>1,147</u>	<u>1,111</u>

Expenses related to the management of these investments were US\$8k for the year (2025: US\$6k).

The Income and Expenditure account and movement in reserves may be seen on page 28 of the Company's Directors' Report and Financial Statements.

A.4. PERFORMANCE OF OTHER ACTIVITIES

The Company has no other activities than its main insurance activities as presented in A2.

A.5. ANY OTHER INFORMATION

There have been no other material matters affecting business and performance.

B. SYSTEM OF GOVERNANCE

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

B1.1 Overview

The Board of Directors

Ultimate responsibility for the governance of the Company rests with the Board of Directors. The Company's Directors are generally drawn from senior individuals within the Membership. However, the Board may appoint any person to be a Director without restriction. In practice, the Board comprises individuals who are figures of standing within the shipping industry, are equity Principals or senior individuals within the organisations, which they represent, which in turn are Members of the Company. The Directors meet three times a year. The Articles and the Rules give the Board of Directors wide powers to manage the affairs of the Company and set out how these powers are to be exercised.

Although the Managers administer the business of the Company on a day-to-day basis, ultimate responsibility remains with the Directors.

The following items come up annually for consideration at Board Meetings:

- Reinsurance for the next policy year;
- Rates charged to Members and the terms of insurance;
- Approval of the Directors' Report and the audited Financial Statements for the previous year;
- Investment policy;
- Closure of policy years; and
- Approval of Regulatory returns.

Claims are discussed as and when they arise, although for the past few years there has been little in the way of claims activity in respect of ships entered in the Company.

The Managers present the items on the Agenda, which the Board then considers.

The Articles allow the Directors to delegate any of their powers to Committees, although the Committee must then conform to any conditions put on it by the Directors.

There are currently no Committees.

B1.1.2 Key functions

The Managers

The Company has no employees and as such, the Board rely on the Managers for the day-to-day management duties of the Company. The functions and responsibilities of the Managers are set out in the Management Agreement between the Managers and the Company.

The Board may delegate a wide range of powers, duties and discretions to the Managers on such terms as it sees fit. Under the Articles of Company, the Managers are entitled to attend all meetings of the Board and all general meetings of the Company and have a representative on the Board of Directors.

The Investment Managers

Investment of the Company's funds is conducted by the Investment Managers in accordance with the Board's Investment Policy and is subject to internal compliance procedures.

The functions and responsibilities of the Investment Managers are set out in the Management Agreement between the Investment Managers and the Company.

Responsibilities Map

The Company maintains a responsibilities map that details the key Senior Manager Functions and Key Functions. The following functions are maintained through the responsibilities map with an agreed set of responsibilities:

- Chairman (Board)
- Chief Executive Officer (Managers)
- Chief Financial Officer (Managers)
- Chief Risk Officer (Managers)
- Head of Internal Audit (Managers)
- Chief Actuary (Managers)
- Chief Underwriting Officer (Managers)
- Claims Function (Managers)
- Investment Manager (Managers)
- Compliance Officer (Managers)

B.1.2. Remuneration

The Company has no employees, no internal executive function and has outsourced its management to Thomas Miller War Risks Services Limited (the "Managers") who are part of the Thomas Miller Holdings Ltd group of companies. The Managers are responsible for recruitment in line with the Thomas Miller Group Recruitment Policy and performance management, ensuring that all staff have and maintain the relevant skills, knowledge and expertise necessary to perform their roles and responsibilities. Thomas Miller pays for the Managers' remuneration.

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE (continued)

B1.1.2 Key functions (continued)

The Company pays the Managers a fixed fee for the management of the Company.

Directors receive an attendance fee for each meeting and an annual fee. Directors' fees are not subject to pension or early retirement schemes and there are no variable components to the Directors' remuneration.

B.1.3. Related party transactions

The Company has no share capital and is controlled by the Members who are also the insureds. The subsequent insurance transactions are consequently deemed to be between related parties, but these are the only transactions between the Company and the Members.

All of the Directors are either current representatives of Member companies or are appointed as specialist non- executive Directors and other than the insurance cover, which is arranged on an arm's length basis, and Member interests of these companies, the Directors have no financial interests in the Company.

B.1.4. Adequacy of the system of governance

The Directors consider the system to be adequate given the nature scale and complexity of the risks inherent to the Company.

B.2. FIT AND PROPER REQUIREMENTS

The Company has a Fit & Proper Policy in place that sets out its approach to the fitness and propriety of the persons responsible for running the Company, including the Senior Management Functions and Key Function holders.

All persons within the scope of the Company's Fit and Proper policy must have the professional qualifications, knowledge and experience and demonstrate the sound judgement necessary to discharge their areas of responsibility competently, both at the time of their appointment or employment and on a continuous basis to meet the changing or increasing requirements of their particular responsibilities and the business in general.

They must be of good repute and demonstrate in their personal behaviour and business conduct character, integrity and honesty. As part of the assessment, consideration will be given to potential conflicts of interest and financial soundness. The level of fitness must be appropriate and proportionate to each person's role, tasks and responsibilities.

The Board must be composed in a way to ensure that its Members collectively possess sufficient knowledge, competence and experience to direct and oversee the Company's affairs effectively.

The Managers maintain role specifications for all executive roles that are within the scope of the Fit and Proper policy, which detail the key competencies, and duties for each position. All persons to whom the policy applies are required to have the appropriate and designated competencies for their positions.

The Chairman, the Company Manager or the Compliance Officer carries out fit and proper assessments. No person is permitted to undertake their own assessment.

B.3. RISK MANAGEMENT SYSTEM

The Company's Risk Management System

The Company uses a Risk Management Framework to design an effective risk management system with an integrated approach to risk management and the application of three lines of defence:

- 1st line of defence: business units, process and risk owners
- 2nd line of defence: risk management and compliance functions
- 3rd line of defence: internal and external audit

The risk management system includes:

- a clearly defined and well-documented risk management strategy;
- adequate written policies;
- appropriate processes and procedures;
- appropriate reporting procedures;
- reports on the material risks faced by the Company and on the effectiveness of the risk management system;
- a suitable Own Risk and Solvency Assessment (ORSA);
- underwriting and reserving risk;
- market risk (including investment, asset-liability management, liquidity and concentration risks);
- reinsurance and other risk mitigation techniques;
- credit risk; and
- operational risk.

The risk management system covers all the risks, which the Company is exposed to and is included in the calculation of the Solvency Capital Requirement.

The risk management system also has a coherent focus on data and IT infrastructure governance and appropriate policies and standards to outline the framework within which responsibilities will be exercised. It is supported by a robust internal control system and is designed to identify measure, manage, monitor and report significant risks to the achievement of our business objectives. The core elements of the risk management framework are as follows:

Risk Management Strategy

The objectives of the Company's risk management strategy are to identify measure, monitor, manage, and report in a consistent, continuous and timely fashion, based on the Company's risk appetite as set by the Board and documented in the business plan.

The Risk Management Framework helps both support and relay the Company's business plan strategy throughout the organisation by ensuring that those factors that may advance or impede the achievement of strategic and operational objectives are managed by strong controls. The risks to which the Company is exposed are recorded in the Business Risk Log.

B.3. RISK MANAGEMENT SYSTEM (continued)

Risk Management Strategy (continued)

Forecasts and long-term projections of how the business needs to develop and which internal and/or external factors might affect or impede such development are considered when carrying out business strategy reviews. Risk related to initiatives and objectives adopted in the business plan are added to the Business Risk Log.

Implementation of the Risk Management Strategy: Risk Policies and Procedures

The Company's strategy is specified in more detail through its policies and business plan, which underpin its day-to-day business. Policies have been developed for all material risks to which the Company is exposed. They define the Company's approach to risk management overall and more specifically the risk for which the policy has been written.

The policies establish the controls, procedures, limits and escalation to ensure that the risks are managed in line with risk appetite. Specific procedures, where appropriate, have been developed to provide full understanding of the means by which the first and second lines of defence will implement the strategy. Policies are reviewed on an annual basis. Policies and related procedures are stored on the Managers' Electronic Quality Management System and are accessible to the Company's Managers and all staff in the Company's three lines of defence structure.

The policies also include appropriate reporting procedures to ensure that information relating to the component elements of the risk management strategy is routinely reported to the Board.

Risk Appetite

The Company's Risk Appetite is articulated in the statement of risk appetite, which is a document owned by the Board and reviewed on a regular basis as new risks emerge, or at least annually. The Company's business strategy is aligned to the Corporate Plan and focuses on the following areas:

- To sustain the Company's financial position.
- To develop a more international Membership.
- To differentiate the Company's service offering from the market product.
- To establish a distinctive identity.
- To supplement the Company's marketing resources.

The Board determines the appropriate risk appetite and sets the Company's risk strategy. It has developed high-level risk appetites that will be used by the Board to monitor the implementation of the risk strategy. More detailed operational preferences and tolerances are used by the Managers to implement the risk strategy. These are reported to the Board as part of the Company's Own Risk & Solvency Assessment (ORSA) and in Risk Reports and when tolerances are breached.

B.3. RISK MANAGEMENT SYSTEM (continued)

Risk Appetite (continued)

The Board bears ultimate responsibility for the management of risk and for maintaining a sound system of internal control that supports the achievement of the business strategy, policies, aims and objectives of the Company.

Business Risk Log: Assessment, Measurement and Management

Risks to the business that could inhibit the Company achieving its business plan objectives are described in the Business Risk Log, together with the consequences should the risk materialise. The risks are categorised into categories (see below), assessed, and monitored on an ongoing basis.

Reputational risk (the risk of potential loss to the Company through deterioration of its reputation or standing due to a negative perception of its image among Members, counterparties and supervisory authorities) is not recognised as a risk category on the Business Risk Log but as a risk consequent on the overall conduct of the Company. Risks that were they to crystallise would damage the reputation of the Company are flagged on the risk log.

Emerging Risk Log

As explained later under “Risk Reporting Procedures”, Risk Owners are required to consider a template of questions as part of a regular process of reporting. Included in the questions posed to Risk Owners is whether they have identified potential emerging risks during the reporting period. These are then discussed at a Managers’ Management Committee meeting (which meets quarterly) and included in the Business Risk log as an emerging risk.

Risk Categories

The Business Risk Log includes the following categories of risk:

- Underwriting
- Claims
- Strategic
- Reserving
- Reinsurance
- Market (including Investment, Asset-Liability Management, Liquidity and Concentration risks)
- Operational:
 - Operational Controls
 - Financial Controls
 - Information Technology
 - Compliance
 - Oversight
- Emerging

Risk categories are also defined in the Risk Management Framework.

B.3. RISK MANAGEMENT SYSTEM (continued)

Risk Rating

A rating for each risk is determined by assessing its likelihood (being the likely probability of an occurrence) and impact (being a financial assessment of the significance of the event if it occurs), which includes reputational, legal/regulatory and other measures. Each is presented as a value between 1 and 5 (1 being low and 5 being high) in line with a likelihood/impact matrix with financial impact levels. Risks are defined as Red, Amber, Yellow or Green according to a heat map to assist the Board with the prioritisation of the management of risks and demonstrate the importance of the mitigation measures or controls in place.

The assessment of each risk is based on Inherent Risk and Residual Risk (i.e. the risk that remains after taking into account the strength of current risk management procedures that are in place).

All risks on the Business Risk Log are re-assessed on an ongoing basis and at least annually by the Managers. The Managers, in collaboration with the Risk Officer consider the Business Risk Log in the light of changes to the business plan.

The Managers and Risk Owners

Each risk on the Business Risk Log has a Risk Owner whose responsibilities are:

- To identify and evaluate the risks faced by the Company in the area for which the Risk Owner is responsible, providing adequate information on the status of risks (including substantive changes to or deterioration of existing risks and new or emerging risks and loss/near miss events).
- To implement and uphold policies and procedures on risk management and internal control on a continuous basis.
- To maintain continuous oversight of the status of risks and controls and initiate improvements in design and operation of controls where required.
- To consider the level of risk presented by any proposed initiative in furtherance of business plan objectives.
- To submit risk-based reports to meetings of the Managers.
- To review the Business Risk Log and draw up recommendations for additions, deletions and amendments.
- To assess the likelihood of the risk occurring and its impact and recommend changes, as appropriate.
- To consider the effectiveness of the controls.

B.3. RISK MANAGEMENT SYSTEM (continued)

Own Risk and Solvency Assessment ("ORSA")

Every year, and on an ad hoc basis, if circumstances materially change, the Company prepares an ORSA overview report. The ORSA is the process used by the Company to manage its financial and solvency position over the period of its Corporate Plan and the ORSA overview report is the culmination of this process into a report reviewed by the Board. As such, it is an intrinsic part of the Company's Corporate Planning Process.

The key elements of the ORSA process are:

- An analysis of the Company's recent performance
- Assessment of the Company's risk profile
- Consideration of business planning and stress scenarios

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

- Capital related decisions
- Premium rating considerations
- Reassessment of risk profile and risk appetite
- Additional risk mitigating actions

The assessments to date indicate that the Company is adequately capitalised.

Risk Controls

The Company's Risk Management Framework has been developed to manage risks across the business, using internal control policies, procedures and processes to control risks.

Whereas ultimate control for each risk rests with the Board, day-to-day control is exercised by the Risk Owners unless otherwise stated, as set out in the Business Risk Log.

Controls may:

- **Prevent:** controls that reduce the likelihood of the risk occurring. Examples are separation of duties, mandated authorisation or automated processes.
- **Detect:** controls that monitor or identify the risk. Examples are reports or reviews/audits or analyses.
- **Mitigate:** controls that reduce the impact of the risk. Examples are contingency plans and all the contents of Electronic Quality Management System (EQMS).

Controls may be *proactive* or *reactive*. Those that are proactive should reflect the business plan objectives and seek to not only reduce the negative impact of risk but also increase the positive potential in risk opportunity.

The nature of the controls implemented and the level of control exercised are based on the assessment of likelihood of the risk occurring and its impact; the Company's risk appetite; and the cost of implementing controls relative to the significance of the risk.

B.3. RISK MANAGEMENT SYSTEM (continued)

Risk Controls

The Risk Management Framework encompasses a number of elements that together facilitate an effective and efficient operation, enabling the Company to respond to a variety of risks. These elements include:

- **Business planning and budgeting**
The annual business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly.
- **Risk based decision making**
The Company embeds risk management thinking into all major decisions. Financial and non-financial risks are identified as well as ways of managing them down to levels within the Company's risk appetite.
- **Policies and procedures**
A series of policies underpin the internal control process in relation to risks. The Internal Control Framework document sets out the Company's underlying approach to internal control. The Company's Board sets the policies. EQMS procedures support the policies where appropriate.
- **Early warning mechanisms**
Early warning mechanisms are risk indicators that alert Risk Owners before a risk crystallises so that proactive action can be taken to manage the potential hazard.
 - **Key risk indicators:** Where possible, key risk indicators are generated. Key risk indicators, together with key performance indicators, provide information/reports/financial indicators that are reviewed by the Risk Owners to monitor the risk, give advance warning of a possible increased risk, and form part of the management reporting structure.
 - **External data:** Risk Owners review external sources of information, including from or concerning the Company's client marketplace, competitor information, insurance market and rating agencies.

Together these factors are also taken into account in the process of identifying and assessing new and emerging risks.

- **Contingency plans**
The need for contingency plans is considered as part of the assessment of emerging risks and subsequently reviewed as part of the annual risk management review process.
- **Internal audit programme**
The internal audit plan is developed around the Company's objectives on an annual basis, using the Company's assessment of risks as recorded in the Business Risk Log. The planning for the internal audit programme takes into account the assessment by the Risk Officer of the design and operational effectiveness of the risk management process including controls. The work programme considers those controls in place to deal with operational and regulatory risks.

B.3. RISK MANAGEMENT SYSTEM (continued)

Risk Controls (continued)

- **Statutory audit**

Statutory (external) audit provides an opinion on whether the financial statements give a true and fair view of the state of the Company's affairs at the year-end and of its profit or loss for the year just ended.

- **Third party reports**

From time to time, the use of external consultants may be appropriate in areas such as health and safety or human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

- **Risk-based reporting**

Risk-based reporting has been established throughout the business to maintain an aggregated view of the risk profile of the business, including identifying emerging risks and loss/'near miss' events. This ensures that business planning, decision making and operational processes are informed and responsive to change.

Material changes to existing risks, emerging or internal control failings or weaknesses, which require immediate action, are the subject of interim reporting and consideration at the appropriate forum, with remedial action implemented with immediate effect.

Risk Reporting Procedures

Risk Owners are required to provide regular reports on the risks for which they are responsible, based on a template of questions compiled by the Risk Officer. Any amendments to the Business Risk Log proposed by Risk Owners, such as changes to controls or risk descriptions or potential amendments to the ratings are considered at the next Board meeting.

Risk Owners also identify operational risk loss or near miss events which are reviewed by the Managers' Management Committee and then recorded on the Company's operational risk database with remedial actions identified for which a completion date is set. The financial consequences of loss events (including regulatory breaches) are also identified and whether the circumstances surrounding those events might give rise to a claim on the Managers' E&O policy.

The professional indemnity insurance for the Thomas Miller group of companies is purchased from Windsor Insurance Company Ltd, a wholly owned subsidiary of Thomas Miller Holdings. The limit of indemnity is £45m with a deductible of £10,000. Claims are dealt with by the Thomas Miller office in the Isle of Man.

The ORSA overview reports are provided to the Board annually or more frequently, as appropriate, giving information on the Company's recent performance and its risk profile whilst also providing consideration of business planning and scenario testing.

B.3. RISK MANAGEMENT SYSTEM (continued)

The various aspects of the Risk Management System have been described above. The Risk Management Function is fulfilled by the Company's Risk Officer who oversees risk management; provides independent challenge and has direct access to the Chairman of the Board. The Risk Management Function maintains an organisation-wide and aggregated view of the risk profile of the Company, including monitoring risk tolerances against appetite, and advising on how risks might impact the business singly and in combination. Much of this work is done through stress testing and scenario analysis for the ORSA process in collaboration with the Actuarial Function. Responsibilities of the Risk Management Function are contained in the Company's Risk Management Framework.

The integration of risk management processes with business activities is performed through the requirement for business function heads who are also risk owners on the Business Risk Log to focus on risk management on an ongoing basis whilst ensuring that the risks for which they are responsible remain within risk tolerance. This demonstrates the proactive application of risk management techniques to support the business processes and decision-making for which they are responsible in their day-to-day insurance business activities.

In addition, there is a strong foundation of risk information available as described earlier in this section relating to, for example, the Business Risk Logs, the risk matrix, the risk appetite statements and preferences and tolerances.

B.4. INTERNAL CONTROL SYSTEM

Internal control is defined as a continually operating process effected by the Company's Board, the Managers, all staff and systems and designed to support the Company in achieving its business plan objectives through efficient and effective operations and to protect its resources.

Each Risk Owner, as named in the Business Risk Log, is responsible for the application of the Internal Control Framework and the design, development, implementation, documentation and maintenance of effective internal control processes in their area and reporting thereon.

Control activities

Control activities are the actions taken or systems put in place to address business risks, protect assets and ensure that all material control failures and issues are identified and managed. The control activities are embedded into plans, policies, procedures, systems and business processes. Their effectiveness relies on the level of compliance by management and staff.

The nature of the controls implemented and the level of control exercised are based on the assessment of frequency and impact of the risk, the Company's risk appetite and the cost of implementing controls relative to the significance of the risk.

The following controls enforce the above:

- Policies and procedures
- Management information
- System embedded controls
- Premises and System security
- Segregation of duties
- Information processing
- Recruitment, performance management and training
- Contingency plans

The Internal Control Framework as a whole and internal control processes individually are monitored on an ongoing basis through the following mechanisms:

- Performance indicators
- External data
- Analyses and reconciliations
- Regulatory compliance monitoring audits
- Internal audits
- Procedure monitoring audits

B.5. INTERNAL AUDIT FUNCTION

Internal Audit is the “third line of defence” in the company’s internal control framework, established to provide independent assurance that the systems of internal control established by management (“first line”) and the monitoring and oversight provided by the Risk Management and Compliance Functions (“second line”) are fit for purpose and operating effectively.

The objectives of the Internal Audit Function are to provide independent assurance that business risks are identified and are being appropriately managed and controlled by effective systems of internal control.

The Internal Audit function of the Company is provided by the Managers who employ an independent Head of Internal Audit (HIA) who in turn reports functionally to the Board via the Chairman and administratively to the CEO of TMH (the Managers). The HIA may engage third parties to conduct some Audits under his/her management if it is felt that specific technical skills are required or where insufficient general audit resource is available.

Independence

The Internal Audit Function is independent from the organisational activities audited and free to exercise its assignments without impairment and on its own initiative in all areas. It is not authorised to carry out any operational work on behalf of any area of any business.

Development of Audit plans

The annual risk based internal Audit Plan is developed by the Internal Audit Function and is subject to annual review and approval by the Board. The Plan is designed to provide for all significant auditable activities of the business, based on a number of factors which includes, but are not limited to; (i) the results of the Internal Audit risk assessment; (ii) the last time the area of activity was last audited, and (iii) current or past issues identified in the area of activity.

Engagement Planning

The Internal Audit Function prepares an Audit Planning Memorandum (“APM”) for each audit, which describes the scope of the Audit and the key risks to be addressed. Where needed, a formal opening meeting is held, at which the appointed audit team meets relevant line management to discuss the planned audit and agree the scope of work.

The finalised APM is sent to relevant line management and copied to appropriate business executives who have an interest in the outcome of the Audit.

B.5. INTERNAL AUDIT FUNCTION (continued)

Execution

The audit team is responsible for conducting the fieldwork including performing whatever control evaluation, substantive and compliance testing is deemed necessary. The Internal Auditor leading the assignment discusses any findings as they arise with appropriate management to ensure the factual accuracy of the points being raised and so that any misunderstandings or queries are dealt with as soon as possible.

An 'end of fieldwork' meeting is held to confirm the factual accuracy of any apparent control weaknesses identified during the course of the fieldwork and the recommended remedial action is discussed at this meeting.

Reporting

An Internal Audit report is produced following completion of every Audit engagement. Each report includes details of identified deficiencies, as well as Management's agreed actions to resolve. The agreed actions also include the names of the action owners and the agreed target date for remediation.

All Internal Audit reports are given an overall control rating, which is based on the severity of any individual control deficiencies identified. The overall control ratings are as follows;

Effective
Minor Improvement Required
Moderate Improvement Required
Significant Improvement Required
Not Effective

The method of determining overall control rating for Audit reports and for individual control weaknesses is described in the 'TMIA Methodology'.

B.6. ACTUARIAL FUNCTION

The Company's Board is ultimately responsible for ensuring an effective Actuarial Function. The Thomas Miller Actuarial Team, led by its Chief Actuary, performs this function.

The Actuarial Function is independent of the Company's management team and therefore able to undertake its duties in an objective, fair and independent manner. However, for operational purposes, the Actuarial Function is integrated into the Company's internal control system through its role on the Management Committee and attendance at Board meetings.

The Actuarial Function undertakes all responsibilities as required by Solvency UK , including:

- coordinating and overseeing the calculation of Solvency UK technical provisions;
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- informing the Board of the reliability and adequacy of the calculation of technical provisions;
- expressing an opinion on the overall underwriting policy;
- expressing an opinion on the adequacy of reinsurance arrangements; and
- contributing to the effective implementation of the risk management system including capital requirements and the ORSA process.

B.6. ACTUARIAL FUNCTION (continued)

The Company's actuarial function compiles an actuarial function report for the Board on an annual basis. A summary of the latest report, dated January 2026, is included below:

The Company has undertaken its key responsibilities under Solvency UK . In particular:

- *Data Opinion*

Although the data is very sparse, considered in the context of the Club's long history of low claims activity and comprehensive reinsurance programme, and when combined with the expert opinion of an experienced practitioner, the data is believed to be adequate for the assessment of the Club's technical provisions. No material issues were identified with the Club's data.

- *Technical Provisions Opinion*

Technical provisions appear adequate for Solvency UK purposes. On an overall basis, the process of adjusting the claims reserves and the resulting technical provision figures are expected to be appropriate for Solvency UK purposes. Simplifications have been made when converting the claims reserves to Solvency UK technical provisions and whilst it is always possible to conduct further validation/documentation, we conclude that the conversion appears to be reasonable for Solvency UK purposes.

- *Underwriting Opinion*

As of January 2026, when the Underwriting Opinion was produced, the year ending February 2026 was forecast to make a surplus for the Club, with both an investment and underwriting surplus forecast. It was also expected that in future years net premium income would exceed claims and expenses, generating an underwriting surplus.

- *Reinsurance Opinion*

UK War Risks is protected against claims activity by its near 100% risk transfer reinsurance programme. The Club's reinsurance reduces its regulatory capital requirement by \$1.0bn. Hence, the Club would not meet its regulatory capital requirement without reinsurance. It is therefore clear that the Club relies on its reinsurance in order to maintain its current business model. The Club has ensured that its reinsurance fully covers all risks by buying \$1.5bn of cover, which exceeds the Club's largest exposure.

The Actuarial Function contributes to the Club's Risk Management Framework by its involvement in management meetings, operating the Club's capital model and involvement in the ORSA process.

B.7. OUTSOURCING

The Company has in place an Outsourcing & Third Party Risk Management Policy, which is directed at services or activities, which are particularly important or critical to the Company's business (material business activities).

Material business activities include the key functions of the Company's system of governance, i.e. Risk Management, Compliance, Actuarial and Internal Audit as applicable, and all functions or activities that are fundamental to enable it to carry out its core business, including underwriting, claims handling and investments.

A material business activity is one that has the potential, if disrupted, to have a significant impact on the Company's business operations or its ability to manage risks effectively.

Management outsourcing

The Company has no internal executive function and its management is wholly outsourced to Thomas Miller War Risks Services Limited (the "Managers") under a management agreement.

In order to comply with its regulatory obligations, the Board has developed monitoring and reporting procedures. The risk control and reporting procedures to be followed by the Managers form part of their obligations under the management agreement.

Investment management outsourcing

Management of the Company's investments is outsourced to Thomas Miller Investment Limited, part of the Thomas Miller group of companies, under an investment management agreement.

The performance of the investment managers is monitored and supervised by the Board.

Oversight

The Board bears ultimate responsibility for outsourced functions, services, or activities and related governance. The Board is supported by the Managers' Management Committee, which monitors the activities of the Company, including outsourcing.

B.8. ANY OTHER INFORMATION

The Company considers that there is no other material information to be disclosed.

C. RISK PROFILE

The Company has set out a number of risk appetite statements, which guide the implementation of its business plan. Currently the Company is operating in line with its risk appetite.

The following sections consider each of the Company's risk categories. The key risks are Market Risk and Counterparty Default Risk.

C.1. UNDERWRITING RISK

The Company is a niche mono-line insurer, underwriting only merchant ships against war risks.

Underwriting risk is the risk that the Company's net insurance obligations (i.e. claims less premiums) are different to expectations. The Company considers the risk of existing obligations (Reserve Risk) separately to the risk of future obligations (Premium Risk). The Company is fully reinsured so is not exposed to the risk that it will not be able to settle claim liabilities but is exposed to the risk that the reinsurers do not pay the claims. This risk is covered under the counterparty default risk.

Reserve risk is managed by the Company's reserving policy. Given the size and nature of the Company's business, there is a very low level of claims and a very sparse claims history. Therefore, reserves for statutory accounting purposes are determined based on individual case estimates. This is thought to be more appropriate than traditional actuarial and statistical methods, which would not be reliable given the low volume of data.

Premium risk is managed by an underwriting policy, which establishes underwriting practices in order to meet business needs and satisfy regulatory control. This is supplemented with business planning and forecasting exercises undertaken as part of the Company's ORSA process.

Risk Mitigation

Underwriting Risk is mitigated by the Company's reinsurance programme. The Company is reinsured in respect of claims and retains an overall US\$3million AAD and a small US\$0.25m deductible on claims arising from the Gulf of Aden/Indian Ocean AP Area.

C.2. MARKET RISK

Market risk arises through fluctuations in foreign currency exchange rates, equity values, interest rates, and corporate bond spreads. Such movements will affect not only the Company's investments, but also the value of other assets and liabilities such as claims payments and reinsurance recoveries.

The Company has an investment policy in place to manage exposure to its investments, and this is monitored by regular reports from the investment managers. Further discussion of this arrangement is provided below under the "prudent person principle".

Currency risk is not a significant risk for the Company as it primarily invests in US Dollar based investments and charges US Dollars based premium. Although claims may be impacted by currency movements, the Company's reinsurance programme largely transfers this risk.

United Kingdom Mutual War Risks Association Limited

C.2. MARKET RISK (continued)

The following table details the Company's exposure to currency risk and equity risk by each underlying currency as reported in the Company's annual financial statements:

As at 20 February 2026	US Dollar \$'000	Sterling \$'000	Euro \$'000	Total \$'000
Fixed interest-Government	27,386	-	-	27,386
Fixed interest-Corporate	12,099	-	-	12,099
Equity	17,695	-	-	17,695
Derivatives	(24)	-	-	(24)
UCITS	2,350	-	-	2,350
Reinsurance share of unearned premium	335	-	-	335
Reinsurance share of technical provisions claims outstanding	493	-	-	493
Deferred acquisition cost of unearned premium	289	-	-	289
Debtors	4,839	-	-	4,839
Cash and cash equivalents	3,667	34	67	3,768
Other	142	-	-	142
	<u>69,271</u>	<u>34</u>	<u>67</u>	<u>69,372</u>

foreign currency risk as at 20 February 2026 if the US dollar weakened/strengthened by 5% against the Euro and Sterling, with all other factors remaining unchanged Surplus for the year would have increased /decreased by US\$0.005m (2025 US\$0.006m).

The Company's risk profile is dominated by equity risk. This is due to a combination of the Company investing a large percentage of its assets in equities (the Company's Investment Mandate allowing 30% investment in equities) and the fact that other risks have been largely mitigated by the Company's reinsurance programme.

The Company is exposed to price risk through its holding of equities as financial investments at fair value through profit and loss. At the year-end the holding in equity and alternative instruments amounted to 35% of the investment portfolio (2025:35%).

A 10% increase in equity values would be estimated to have increased the surplus before tax at the year-end by US\$1.738m (2025: US\$1.998m). A 10% fall would have an equal and opposite effect. This analysis assumes that all other variables remain constant.

The Company's Investment Mandate also allows investment in government and corporate bonds, exposing it to interest rate and spread movements. However, this risk is significantly smaller than that presented by the Company's equity exposure.

C.2. MARKET RISK (continued)

The prudent person principle

Under the Company's investment policy, all of the Company's investments are invested and managed in accordance with the 'prudent person principle', meaning that duties of the Investment Managers are discharged with the care, skill, prudence and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise of like character and aims. More specifically:

- invested in assets and instruments whose risk can properly be identified, measured, monitored, managed, controlled and reported;
- to ensure the security, quality and liquidity of the portfolio as a whole; and
- appropriate to the nature and duration of the Company's insurance liabilities.
- derivative instruments are possible if they contribute to a reduction of risks or efficient portfolio management;
- unlisted investments and assets are kept to prudent levels;
- properly diversified to avoid excessive reliance on any asset, issuer or group, or geographical area.

The Company's funds are invested by the Investment Managers in accordance with parameters set by an Investment Mandate. The Investment Mandate provides a framework to the Investment Managers for the management and stewardship of the Company's investment assets in conformity with the business and investment objectives and sets the parameters within which the Company's assets may be invested. It is considered, approved by the Board on an annual basis, and ad hoc as required and is subject to the Company's Investment Policy. The Investment Managers report to the Board at each meeting.

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C.3. CREDIT RISK

Credit risk is the risk of loss in the value of the above financial assets due to counterparties failing to meet all or part of their obligations.

The following table illustrates aggregate credit risk exposure for financial assets as reported in the Company's annual financial statements. The credit rating bands are provided by independent ratings agencies:

As at 20 February 2026	AAA/AA	A	BBB or less or not rated	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Fixed interest-Government	27,386	-	-	27,386
Fixed interest-Corporate	2,329	-	9,770	12,099
Equity	-	-	17,695	17,695
Derivatives			(24)	(24)
UCITS	2,350	-	-	2,350
Reinsurance share of unearned premium			335	335
Reinsurers share of technical provisions claims outstanding		493		493
Deferred acquisition cost of unearned premium	-	-	289	289
Debtors	-	-	4,839	4,839
Cash and cash equivalents	3,768	-	-	3,768
Other	-	-	142	142
	<u>35,833</u>	<u>493</u>	<u>33,046</u>	<u>69,372</u>

Due to the Company's low claims volume, typically the Company is not exposed to significant reinsurance counterparty default risk. However, the Company writes high limits covering War Risks up to \$1bn and P&I risks of up to \$500m. Therefore, if a large claim was to arise, the Company could have a significant reinsurance default exposure. The Company's objective is to reduce credit risk through the risk management techniques, which are discussed below.

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C.3. CREDIT RISK (continued)

The reinsurance contract is reviewed annually before renewal.

- Exposure to reinsurance counterparties is mitigated by the Company only placing reinsurances with counterparties which are rated A or better.
- The Company Rules checked to ensure they are “back to back” with the terms of the reinsurance contract.
- The Company limits any single placement to no more than 10% of the total cover.
- The Company’s exposure to default risk is evaluated as part of the ORSA process.

Exposure to debtors is mainly in respect of calls and premium contributions. This is spread over a number of Members and counterparties, which mitigates the risk. In addition, the Company carries out financial checks on existing and potential Members.

Exposure to bank balances is more concentrated, with two main counterparties. This risk is mitigated by placing funds surplus to normal operational requirements in money market funds and other investments.

C.4. LIQUIDITY RISK

Liquidity risk is the risk that the Company is unable to make payments as they become due. This is managed by the use of liquid investments and minimum cash holdings required by the Company’s investment mandate.

The most significant liquidity stress faced by the Company, would be the requirement to pay a substantial claim. However, this risk is mitigated by the Company ensuring a simultaneous payment clause in the reinsurance contract.

The following table provides a maturity analysis of the Company’s financial assets representing the date that a contract will mature, amounts are due for payment or the asset could be realised without significant additional cost as reported in the Company’s annual financial statements:

As at 20 February 2026	Short term assets	Within 1year	Within 2-5 years	Over 5 years	Total
	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000
Fixed interest-Government	-	14,388	12,780	218	27,386
Fixed interest-Corporate	9,770	-	2,329	-	12,099
Equity	17,695	-	-	-	17,695
Derivatives	(24)	-	-	-	(24)
UCITS	2,350	-	-	-	2,350
Reinsurance share of unearned premium	335	-	-	-	335
Reinsurers share of technical provisions claims outstanding	493	-	-	-	493
Deferred acquisition cost of unearned premium	289	-	-	-	289
Debtors	4,839	-	-	-	4,839
Cash and cash equivalents	3,768	-	-	-	3,768
Other	142	-	-	-	142
	<u>39,657</u>	<u>14,388</u>	<u>15,109</u>	<u>218</u>	<u>69,372</u>

C.4. LIQUIDITY RISK (continued)

Reliance on expected future profit

Given the holding in liquid assets and simultaneous reinsurance payment clause, the Company does not rely on expected future profits to ensure its liquidity.

C.5. OPERATIONAL RISK

Operational risks relate to the failure of internal processes, systems or controls due to human or other error.

In order to mitigate such risks the Company has engaged Thomas Miller Limited as Managers to document all key processes and controls. This documentation is embedded into the organisation and available to all staff. Compliance with the procedures and controls is audited on a regular basis through the Internal Audit function, which is directed and reviewed by the Board.

The Company is also protected against operational losses by the Thomas Miller Managers' E&O cover.

C.6. OTHER MATERIAL RISKS

As the Company has European Members; the Company has a fronting agreement in place with the Rotterdam based subsidiary of the UK P & I Club in order to carry on writing European business.

Concentration of Risk

A typical property insurer may have geographic concentrations of risk, resulting in significant exposure to catastrophes such as earthquakes, hurricanes, etc. However, the Company covers ships that are mobile and distributed globally, therefore it is not materially exposed to these types of concentrations of risk.

The Company writes large limits and therefore in theory exposed to a concentration of risk from its largest insured vessels. This risk is mitigated by the Company's reinsurance programme. The Company also considers stress and scenarios in order to evaluate this risk.

United Kingdom Mutual War Risks Association Limited

C.7 Stress and Scenario Testing

The Company carries out stress and scenario testing as part of its risk management and ORSA process.

The base case business plan forecast for the next 3 years is used as the starting point for scenarios testing. The impacts of adverse scenarios are then evaluated. The results of these, evaluated in 20 September 2025, are summarised below.

- Market Shock, 1 in 200 market losses over one year
 - A 27.8% loss in asset values over the year is applied to the Company's assets. This is equivalent to a 1 in 200-market shock as evaluated using the Company's internal capital model.
 - This results in the Company's regulatory free reserves falling within the target capital band.
- Consecutive market losses (1 in 5) over three years

- Three consecutive years of a 7.5% loss in asset values (roughly equivalent to a 1 in 5 market shock according to the Company's model), are applied to the Company's assets.

This results in the Company's regulatory free reserves slowly decreasing but remaining above the target capital band until 20 February 2028

- Large claim with reinsurance default
 - Under this scenario, it is assumed that the Company incurs a \$150m claim. Since this would be largely reinsured, it is also assumed that a 5% reinsurance line defaults (roughly equivalent to one of the Company's large non-Lloyd's reinsurance lines), with a loss given default of 50%.
The Company's regulatory free reserves remain above the target capital band over the forecast horizon.
- Catastrophe claim with reinsurance default
 - Under this scenario, it is assumed that the Company incurs a \$1.9bn claim. Since this would be largely reinsured, it is also assumed that a 7.5% reinsurance line defaults, with a loss given default of 50%. This default results in a \$45.0m stress of the Company's free reserves.
 - The Company's regulatory free reserves are expected to remain slightly above its SCR requirement as at 20 February 2026, and strengthen thereafter, to remain more comfortably above the SCR requirement for the rest of the forecast horizon.
- Market Losses & Claim with Default
 - Under this scenario, it is assumed that the Company incurs a \$75m claim and a 7.5% reinsurance line default with a 50% loss given default. This is then combined with a 1-in-20 year market loss (as calibrated by the Company's internal model).
 - This leaves the company still comfortably within or slightly above its risk appetite zone and in excess of its SCR requirement.

Due to the Club's comprehensive reinsurance programme, the overall risk profile of the Club has remained broadly unchanged since 20 February 2025. Hence, these scenarios and their impacts on the Company remain broadly relevant, though some assumptions might need to be revisited in light of recent geopolitical developments.

C.8. Any Other Information

The Company has not identified any other material information that is considered to be required to be disclosed.

United Kingdom Mutual War Risks Association Limited

D. VALUATION FOR SOLVENCY PURPOSES

D.1. ASSETS

Valuation of the Company's assets (excluding technical provisions) as at 20 February 2026 in US \$000's:

	Solvency UK	UK GAAP
Investments (other than assets held for index –linked and unit-linked contracts)	59,464	59,506
Reinsurance share of unearned premium	-	335
Deferred acquisition cost of unearned premium	-	289
Reinsurance share of claims outstanding	-	493
Insurance and intermediaries receivables	3,454	3,890
Reinsurance recoverables	28,222	-
Reinsurance receivables	34	949
Cash and cash equivalents	3,896	3,768
Any other assets not elsewhere shown	77	142
Total	95,147	69,372

Refer to appendix IR.02.01.02 for full Solvency UK balance sheet amounts.

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

Investments

Investments are carried at fair value. The fair value of foreign currency investments is translated at the rate of exchange ruling at the balance sheet date.

Fair values of investments traded in active markets are measured at bid price at the close of business at the balance sheet date. Where there is no active market, fair value is measured by reference to other factors such as independent valuation reports.

A financial investment is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

D. VALUATION FOR SOLVENCY PURPOSES (continued)

D.1. ASSETS (continued)

There are no material differences between the valuation used for Solvency purposes and the valuation used in the Company's financial statements.

Receivables, trade not insurance

This balance includes sundry, short-term receivable balances the value and settlement of which contains little to no uncertainty. Due to the short-term nature of these items, the carrying amount is considered a suitable proxy for its fair value.

The difference between Solvency UK and the company's financial statements are due to reinsurance included as a future cash flow in the calculation of technical provisions.

Insurance and intermediaries' receivables

These represent balances that are due for existing insurance contracts. Due to the short-term nature of these balances, the carrying amount is considered a suitable proxy for its fair value.

When these amounts are not yet due, they are included as a future cash flow in the calculation of technical provisions.

These amounts are reviewed annually for impairment.

Under statutory accounting requirements, these balances are not presented separately on the face of the balance sheet whether they are due or not yet due.

Cash and cash equivalents

Cash and cash equivalents include cash at bank or in hand, deposits held at call with banks and other short-term liquid investments. The carrying value of these balances is considered a suitable proxy for fair value.

There are no material differences between the valuation used for Solvency purposes and the valuation used in the Company's financial statements.

Any other assets not elsewhere shown

These balances comprise sundry, short-term receivables, which are classified as sundry receivables in the statutory financial statements.

Due to the short-term nature of these balances, their carrying amount is considered a reasonable approximation for fair value.

There is no material differences between the valuation used for Solvency purposes and the valuation used in the Company's financial statements.

United Kingdom Mutual War Risks Association Limited

D.2. TECHNICAL PROVISIONS

Net technical provisions as at: 20 February 2026

	US\$'000 2026	US\$'000 2025
Gross best estimate	30,906	(4,077)
Reinsurance best estimate	(28,221)	816
Risk Margin	663	597
Net technical provisions	3,348	(2,664)

Refer to appendices IR.17.01.02 and IR.19.01.21 for details on technical provisions.

After the reporting date of 20 February 2026, geopolitical tensions and security incidents in and around the Strait of Hormuz have increased, raising the risk of disruption to shipping and associated costs (including freight, fuel and insurance).

Under the Solvency UK Delegated Regulations, all bound business must be taken into account at year-end when determining the premium provision best estimate claims. This year-end, this includes the exposure in the Persian Gulf arising from the aforementioned conflict.

Under the Solvency UK Directives these forecast claims must correspond to the probability-weighted average of future cash-flow. A scenario analysis has been conducted using the Managers' expert judgment to arrive at a forecast of claims relating to the Persian Gulf exposure. This has increased the gross technical provisions by \$33.4m and the reinsurance technical provisions by \$27.5m.

These values have been derived based on information available at the balance sheet date, and due to high levels of uncertainty, actual losses could materially deviate from this amount.

The changes in the year are driven by the claims forecast in the premium provision. There are currently \$36.2m claims forecasted on a gross basis and \$30.3m on net basis. The increase is driven by ongoing conflict in the Persian Gulf.

The Company's technical provisions are valued using the following principles:

Bases, methods and main assumptions

The technical provisions are valued using the methodology prescribed by the Solvency UK Directive and associated regulations. They consist of a "best estimate" of future cash flows (claims, premiums and expenses), which are discounted in line with risk-free interest rates to give the "present value" of those cash flows. Finally, a (market value) "risk margin" is added to take the total to a notional market value (i.e. equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations).

D.2. TECHNICAL PROVISIONS (continued)

Claims

Due to the nature of the business and low volume of claims, individual claim case estimates are used to set claims reserves. The key assumptions being that:

- Case estimates are accurate, and
- Claims are reported quickly therefore, the requirement for IBNR is not material.

This method is considered appropriate given the low volume and nature of the Company's claims and the Company's near 100% reinsurance programme, which significantly reduces the materiality of net claims provisions.

Allowance is made for claims on contracts bound, but for which coverage has not yet inceptioned or that has inceptioned but has not yet been fully earned (corresponding to the premium provision). These are valued using the Company's capital model. The key assumptions relate to the expected frequency and severity of future claims, as well as the probability of a claim occurring in an area subject to the Company's reinsurance deductible.

Despite many years of exposure, due to the low volume of claims, the Company has very little data on which to base claim assumptions. Therefore, the claim frequency and severity assumptions are subject to significant uncertainty. However, as discussed in Section C1 on Underwriting Risk, due to the Company's reinsurance programme, the impact of these assumptions are not material to the Company's overall net result.

D.2. TECHNICAL PROVISIONS (continued)

Premiums

The premium cash flows in the technical provisions cover (i) the outstanding instalments of premium on expired business that are payable but not yet due on the valuation date (corresponding to the claims provision); and (ii) the premium payable but not yet due on bound but not incepted business or business which incepts prior to the valuation date but has not fully been earned (corresponding to the premium provision).

Expenses

The Technical Provisions includes expense cash flows incurred in servicing insurance obligations. This includes both direct and overhead expenses, as well as investment management expenses. The provision is calculated directly in respect of the claims provision (for expired business) and a corresponding amount is derived in respect of the premium provision (for bound but not incepted and unexpired business).

Risk margin

The risk margin is calculated based on the requirement to hold capital to meet the SCR until all claims liabilities are settled and a prescribed cost-of-capital rate of 4% per annum. This calculation is based on the assumption that a “reference undertaking” takes on the insurance obligations (and associated reinsurance arrangements). The SCR in this context is made up of Underwriting Risk, Counterparty Default Risk and Operational Risk only; assets are assumed to be invested in such a way that Market Risk will be zero and the referencing undertaking does not take on any new insurance obligations. The runoff of Underwriting and Operational Risk has been calculated based on the expected run off of technical provisions and premiums. For counterparty default risk, it has been assumed that the risk charge runs off in proportion to the run-off of the best estimate reinsurance recoverables, with an adjustment for the expected change in risk mitigating effect over time. This is on the grounds of practicality and materiality, as the risk margin is not expected to have a significant impact on UKWR’s Solvency UK Own Funds.

Reinsurance

The Company is protected against the incidence of claims by reinsurance contracts and for the 2024/2025 Policy Year, is fully reinsured (except as described below) without deductible up to US\$1 billion each vessel. In addition, the separate limit provided to Members in respect of Rule 2C risks or US\$500 million is also fully reinsured on the same contract. The main risk for the Company is in respect of the Company not paying its liabilities. This is reflected in the counter party default risk.

United Kingdom Mutual War Risks Association Limited

D.2. TECHNICAL PROVISIONS (continued)

Uncertainty in the Technical Provisions

Claims Provisions

The key risks to the Company's assessment of Claims Provisions are late reporting of claims and deterioration of current claims estimates, which are not allowed for in the methodology. In addition, UK War Risks reports in USD while claims can arise in almost any currency (although most are dollar, euro or sterling based) therefore changes in exchange rate may lead to uncertainty in the USD value of the claims. Despite this, the Company's Claims Provision is not subject to significant level of uncertainty because:

- Due to the nature of the Company, claims that are very infrequent, tend to be reported quickly and generally can be accurately estimate at an early stage.
- Although there is a risk of late reported claims, this risk is minimal especially considering over the last 30 years the Company has on average experienced less than 1 claim every 4 years.
- Furthermore, any claims occurring would normally only impact gross claims provisions, since in most cases claims are 100% reinsured. On a net basis, the Company's maximum retention per claim is limited to \$0.25 million.

Premium Provisions

The expected premium for the 2025 policy year is based on the Company's business plan. Premium is made up of advance call premium, which all Members pay, and additional premium, which is charged to Members when they transit or call at predetermined areas, which represent a higher risk of piracy or war.

Advance call premium is mostly known as at 20 February. However, additional premium holds greater uncertainty, as it depends on Members making journeys into given areas. Whilst in theory this figure could be quite uncertain, many Members operate as liners and follow generally stable journeys year to year. Furthermore, some of this uncertainty is offset by reinsurance premium, as the reinsurance premium will also change if new Members join or additional premiums arise.

Differences between GAAP and Solvency UK technical provisions

A reconciliation of UK GAAP technical provisions to Solvency UK technical provisions is provided below:

GAAP Technical Provisions	Notes	Gross US\$'000	Reinsurance US\$'000	Net US\$'000
UK GAAP technical provisions		1,220	829	392
Removal of UPR		(727)	(335)	(392)
Premium provision claims	1	36,901	30,888	6,013
Premium provision expenses	1	356	-	356
Premium provision premiums	1	(9,261)	(3,596)	(5,665)
Reallocation of NYD RI	1	-	914	(914)
Continuity Credit	2	3,000	-	3,000
Events not in data	3	1,122	941	180
Expected Defaults	4	-	(7)	7
Discounting	5	(1,705)	(1,412)	(293)
Total		30,906	28,221	2,685
Risk Margin	6	663	-	663
Final SII Technical Provisions		31,569	28,221	3,347

D.2. TECHNICAL PROVISIONS (continued)

Uncertainty in the Technical Provisions (continued)

Notes

1. Provision for contracts bound but not incepted

Solvency UK valuation methodology requires contracts to be recognised when the insurer becomes party to the insurance contract. Usually, an undertaking becomes a party of the contract when the contract between undertaking and policyholder is legally formalised.

Nearly all of the Company's policies are coterminous with its financial year. The consequence is that nearly a full year's worth of business is recognised as Bound But Not Incepted ("BBNI") business. A provision on the Solvency UK balance sheet, known as the "premium provision", is thus made for future premiums, claims and expenses that relate to BBNI business.

For calculating the Company's Premium Provision, it has been assumed that the Company's AP premium income, which is expected to be earned over the next year, is also bound as at the beginning of the year.

2. Prior Premium

This represents balances that are due to be paid for existing reinsurance contracts. When these amounts are not yet due to be paid, Solvency UK requires they are included as a future cash flow in the calculation of reinsurance technical provisions.

3. Events not in data

Solvency UK requires that all possible outcomes be allowed for when setting the technical provisions. Therefore, an additional provision needs to be made for "events not in data", i.e. potential adverse claims outcomes that have not been observed to date and hence are not taken into account in assessing the claims provisions.

4. Reinsurance counterparty default adjustment

For the Solvency UK balance sheet, amounts recoverable from reinsurance counterparties must be adjusted for the expected losses due to counterparty default. This adjustment approximates the expected present value of the losses in the event of default, weighted by the probability of default for each counterparty. Under current accounting bases, a provision for bad debts is only made where there is objective evidence that a counterparty may default on its obligation.

5. Effects of discounting

Since Solvency UK technical provisions take into account the time value of money, an adjustment is made for the discounting of all future cash flows, based on risk-free interest rates.

6. Solvency UK risk margin

The Solvency UK risk margin is intended to represent a notional market value adjustment as discussed above.

United Kingdom Mutual War Risks Association Limited

D.3. OTHER LIABILITIES

Valuation of the Company's other liabilities (excluding technical provisions)
as at 20 February 2026

	Solvency UK US\$'000	UK GAAP US\$'000
Insurance & intermediaries payables	3,035	6,036
Reinsurance payables	723	1,058
Any other liabilities not shown elsewhere	2,352	2,355
	<u>6,110</u>	<u>9,449</u>

The above table presents amounts at Solvency UK and UK GAAP valuation basis respectively. For classification purposes, the Solvency UK classification of amounts has been used.

The Company's other liabilities are valued using the following principles:

Reinsurance payables

These represent balances that are due to be paid for existing reinsurance contracts.

When these amounts are not yet due to be paid, they are included as a future cash flow in the calculation of reinsurance technical provisions.

Under statutory accounting requirements, these balances are not presented separately on the face of the balance sheet whether they are due or not yet due.

Insurance & Intermediaries payables

These represent balances payable on insurance contracts. Due to the short-term nature of these balances, its carrying amount is considered a suitable proxy for fair value. There is no difference between the valuation for Solvency purposes and the valuation used in the Company's financial statements.

Included in these numbers is the Discretionary Continuity Credit of US\$3.000m which will be paid to Members within the next twelve months.

Any other liabilities not elsewhere shown

These balances include all sundry payables and accruals.

There is no material differences between the valuation used for Solvency purposes and the valuation used in the Company's financial statements.

D.4. ALTERNATIVE METHODS OF VALUATION

The Company does not utilise any alternative methods of valuation.

D.5. ANY OTHER INFORMATION

The Company has not identified any other information that it considers material to be disclosed.

United Kingdom Mutual War Risks Association Limited

E. Capital Management

E.1 Own funds- All Tier 1

	2026	2025
	US\$'000	US\$'000
SCR ratio	290%	328%
SCR	19,836	18,255
Eligible capital	57,438	59,839
Excess / (shortfall)	37,602	41,584
MCR Ratio	1158%	1311%
MCR	4,959	4,564
Eligible capital	57,438	59,839
Excess / (shortfall)	52,479	55,275
Tier 1 Basic own funds	57,438	59,839

As a mutual insurer with no share capital the Company's capital structure consists of two types of own funds:

1. Accumulated income and expenditure account reserve and reconciliation reserve, which falls under Tier 1 and counts as Basic Own Funds (BOF). These funds may be fully utilised to meet both the Solvency Capital Requirement ("SCR") and the Minimum Capital Requirement ("MCR").
2. The Company's Rules allow unlimited additional calls to be made on Members. Were such calls (known under the Rules as supplementary calls) to be made, once they had been received they would become Tier 1 loss absorbent BOF and therefore count as Tier 2 Ancillary Own Funds for regulatory solvency purposes.

The Company has not applied for to the PRA to get approval of the methodology to calculate ancillary own funds ("AOF"), as it intends to meet all its regulatory capital requirements from its Tier 1 capital reserves.

Information, objectives, policies and processes for managing own funds

The Company's objective under its rolling Corporate Plan is to maintain its total capital resources (own funds) in line with its risk appetite statement over the insurance cycle. This would mean that the capital resources exceed the Company's regulatory requirements. The Company forecasts its capital over a 3-year planning horizon.

United Kingdom Mutual War Risks Association Limited

E. Capital Management (continued)

Material differences between equity as shown in the financial statements and the excess of assets over liabilities

Below represents a reconciliation of UK GAAP reserves to Solvency UK equity reserves.

	2026 US\$'000
UK GAAP reserves	58,707
Removal of UPR	392
Solvency UK gross technical provisions adjustment	(31,075)
Solvency UK RI technical provisions adjustment	27,728
Reallocation of GAAP amount to technical provision	1,688
Total Solvency UK basic own funds	57,440

The most material adjustment to reserves is as a result of the differences in valuation of technical provisions. Refer to D.1 to D.3 for a discussion of the differences between the bases.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

SCR Standard Formula Simplifications

For the calculation of the counterparty default risk element of the SCR, the simplification outlined in Article 107 of the delegated acts is used. In particular, the overall risk mitigating effect of reinsurance is allocated to the underlying counterparties in proportion to the expected recoveries of each reinsurer. The undertaking does not use any undertaking specific parameters to calculate the SCR.

SCR and MCR

The table below summarises the capital requirements for the current period 20 February 2026 comparable to the previous period 20 February 2025.

	2026 US\$000	2025 US\$000
SCR	19,836	18,255
Made up of		
Underwriting risk	6,237	4,983
Market risk	9,322	9,731
Counterparty default risk	9,794	9,159
Operational risk	927	426
Diversification effects	(6,444)	(6,044)
MCR	4,959	4,564

E. Capital Management (continued)

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

This sub-module is not used.

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

The Company uses only the standard formula.

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

The Company has fully complied with the SCR and MCR requirement during the period under review.

E.6 Any other information

The Company considers no other information material that should be disclosed.

UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED

Solvency and Financial Condition Report

Disclosures

20 February

2026

(Monetary amounts in USD thousands)

General information

Entity name	UNITED KINGDOM MUTUAL WAR RISKS ASSOCIATION LIMITED
Entity identification code and type of code	LEI/213800KYND01QYBI5440
Type of undertaking	Non-life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	20 February 2026
Currency used for reporting	USD
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

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IR.02.01.02 - Balance sheet

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

IR.05.04.02 - Non-life income and expenditure : reporting period

IR.17.01.02 - Non-Life Technical Provisions

IR.19.01.21 - Non-Life insurance claims

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

IR.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

IR.02.01.02
Balance sheet

		Solvency II value
Assets		C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	59,464
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	29,776
R0140	<i>Government Bonds</i>	27,443
R0150	<i>Corporate Bonds</i>	2,333
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	29,677
R0190	<i>Derivatives</i>	4
R0200	<i>Deposits other than cash equivalents</i>	8
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	28,221
R0280	<i>Non-life and health similar to non-life</i>	28,221
R0315	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	3,454
R0370	Reinsurance receivables	34
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	3,896
R0420	Any other assets, not elsewhere shown	77
R0500	Total assets	95,147

		Solvency II value
Liabilities		C0010
R0505	Technical provisions - total	31,569
R0510	<i>Technical provisions - non-life</i>	31,569
R0515	<i>Technical provisions - life</i>	0
R0542	Best estimate - total	30,906
R0544	<i>Best estimate - non-life</i>	30,906
R0546	<i>Best estimate - life</i>	
R0552	Risk margin - total	663
R0554	<i>Risk margin - non-life</i>	663
R0556	<i>Risk margin - life</i>	
R0565	Transitional (TMTP) - life	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	28
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	3,035
R0830	Reinsurance payables	723
R0840	Payables (trade, not insurance)	2
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in Basic Own Funds</i>	
R0870	<i>Subordinated liabilities in Basic Own Funds</i>	0
R0880	Any other liabilities, not elsewhere shown	2,352
R0900	Total liabilities	37,709
R1000	Excess of assets over liabilities	57,438

IR.05.02.01

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

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Home Country	Top 5 countries (by amount of gross premiums written)					Total Top 5 and home country
		KW	BE	TW	NL	DE	
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written							
R0110 Gross - Direct Business	573	6,936	2,551	2,000	182	87	12,330
R0120 Gross - Proportional reinsurance accepted							0
R0130 Gross - Non-proportional reinsurance accepted							0
R0140 Reinsurers' share	165	1,362	517	882	63	68	3,058
R0200 Net	408	5,574	2,034	1,118	119	19	9,272
Premiums earned							
R0210 Gross - Direct Business	573	6,936	2,551	2,000	182	87	12,330
R0220 Gross - Proportional reinsurance accepted							0
R0230 Gross - Non-proportional reinsurance accepted							0
R0240 Reinsurers' share	206	1,704	647	1,103	79	85	3,825
R0300 Net	367	5,232	1,904	897	103	2	8,505
Claims incurred							
R0310 Gross - Direct Business							0
R0320 Gross - Proportional reinsurance accepted							0
R0330 Gross - Non-proportional reinsurance accepted							0
R0340 Reinsurers' share							0
R0400 Net	0	0	0	0	0	0	0
Net expenses incurred							
R0550	513	6,213	2,285	1,792	163	78	11,044

Non-life income and expenditure : reporting period

[illegible]

Non-life income and expenditure : reporting period

R1310 Total expenditure

Non-Life Technical Provisions

	Best estimate
	Premium provisions
R0060	Gross
	Total recoverable from reinsurance/SPV and
R0140	Finite Re after the adjustment for expected
	losses due to counterparty default
R0150	Net Best Estimate of Premium Provisions
	Claims provisions
R0160	Gross
	Total recoverable from reinsurance/SPV and
R0240	Finite Re after the adjustment for expected
	losses due to counterparty default
R0250	Net Best Estimate of Claims Provisions
R0260	Total best estimate - gross
R0270	Total best estimate - net
R0280	Risk margin
R0320	Technical provisions - total
	Recoverable from reinsurance contract/SPV and
R0330	Finite Re after the adjustment for expected losses due to
	counterparty default - total
R0340	Technical provisions minus recoverables from
	reinsurance/SPV and Finite Re - total

Total Non-life business

Z0020 Accident year / underwriting 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	0	
R0160	-9	3	0	0	0	0	0	0	0	0	0	0	3	
R0170	-8	0	0	0	0	0	0	0	0	0		0	0	
R0180	-7	0	0	0	0	0	0	0	0			0	0	
R0190	-6	0	0	0	0	0	0	0				0	0	
R0200	-5	0	0	0	0	0	0					0	0	
R0210	-4	0	0	0	0	0						0	0	
R0220	-3	0	0	0	0							0	0	
R0230	-2	15	0	0								0	15	
R0240	-1	31	0									0	31	
R0250	0	57										57	57	
R0260												57	106	
Total												57		

Gross Undiscounted Best Estimate Claims Provisions													C0360
(absolute amount)													Year end (discounted data)
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		
	Development year												
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior												0	0
R0100												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	
R0180	-7	0	0	0	0	0	0	0				0	
R0190	-6	0	0	0	0	0	0	0				0	
R0200	-5	0	0	0	0	0	0					0	
R0210	-4	0	0	0	0	0						0	
R0220	-3	0	0	0	0							0	
R0230	-2	0	0	0								0	
R0240	-1	0	0									0	
R0250	0	508										485	
R0260												485	
											Total	485	

Gross premium			
		C0570	C0580
		Gross earned premium at reporting reference date	Estimate of future gross earned premium
0160	N-9	2,741	0
0170	N-8	2,191	0
0180	N-7	2,270	0
0190	N-6	15,454	0
0200	N-5	12,545	0
0210	N-4	8,945	0
0220	N-3	8,918	0
0230	N-2	7,396	0
0240	N-1	8,929	0
0250	N	6,362	0

IR.23.01.01

Own Funds

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

R0290 Total basic own funds

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees
R0350	Letters of credit and guarantees other
R0360	Supplementary members calls
R0370	Supplementary members calls - other
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Available and eligible own funds

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

R0580 SCR

R0600 MCR

R0620 Ratio of Eligible own funds to SCR

R0640 Ratio of Eligible own funds to MCR

Reconcillation reserve

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

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0	0		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
57,438	57,438			
0		0	0	0
0				0
0	0	0	0	0
0				
0				

0			
0			
0			
0			
0			
0			
0			
0			
0			
0		0	0

57,438	57,438	0	0	0
57,438	57,438	0	0	
57,438	57,438	0	0	0
57,438	57,438	0	0	
28,464				
7,116				
201.79%				
807.17%				

C0060
57,438
0
0
0
57,438

IR.25.04.21

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

	Market risk	C0010
R0070	Interest rate risk	1,059
R0080	Equity risk	8,652
R0090	Property risk	0
R0100	Spread risk	719
R0110	Concentration risk	127
R0120	Currency risk	194
R0125	Other market risk	
R0130	Diversification within market risk	-1,430
R0140	Total Market risk	9,322
	Counterparty default risk	
R0150	Type 1 exposures	9,400
R0160	Type 2 exposures	518
R0165	Other counterparty risk	9,794
R0170	Diversification within counterparty default risk	
R0180	Total Counterparty default risk	19,712
	Life underwriting risk	
R0190	Mortality risk	
R0200	Longevity risk	
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	
R0270	Total Life underwriting risk	0
	Health underwriting risk	
R0280	Health SLT risk	
R0290	Health non SLT risk	
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0320	Total Health underwriting risk	0
	Non-life underwriting risk	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	5,754
R0340	Non-life catastrophe risk	250
R0350	Lapse risk	2,241
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	-2,007
R0370	Non-life underwriting risk	6,238
R0400	Intangible asset risk	
	Operational and other risks	
R0422	Operational risk	927
R0424	Other risks	
R0430	Total Operational and other risks	927
R0432	Total before all diversification	39,635
R0434	Total before diversification between risk modules	36,199
R0436	Diversification between risk modules	-7,735
R0438	Total after diversification	28,464
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	
R0455	Other adjustments	
R0460	Solvency capital requirement including undisclosed capital add-on	28,464
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	Solvency capital requirement including capital add-on	28,464
R0490	Biting interest rate scenario	increase
R0495	Biting life lapse scenario	mass

IR.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR_{NL} Result

C0010

1,863

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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C0020

C0030

R0020	Medical expense insurance and proportional reinsurance
R0030	Income protection insurance and proportional reinsurance
R0040	Workers' compensation insurance and proportional reinsurance
R0050	Motor vehicle liability insurance and proportional reinsurance
R0060	Other motor insurance and proportional reinsurance
R0070	Marine, aviation and transport insurance and proportional reinsurance
R0080	Fire and other damage to property insurance and proportional reinsurance
R0090	General liability insurance and proportional reinsurance
R0100	Credit and suretyship insurance and proportional reinsurance
R0110	Legal expenses insurance and proportional reinsurance
R0120	Assistance and proportional reinsurance
R0130	Miscellaneous financial loss insurance and proportional reinsurance
R0140	Non-proportional health reinsurance
R0150	Non-proportional casualty reinsurance
R0160	Non-proportional marine, aviation and transport reinsurance
R0170	Non-proportional property reinsurance

	0	
	0	
	0	
	0	
	0	
	2,685	11,333
	0	
	0	
	0	
	0	
	0	
	0	
	0	
	0	
	0	

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

0

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

C0060

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

Overall MCR calculation

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

C0070

1,863

28,464

12,809

7,116

7,116

4,725

7,116