Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

PAMIA LIMITED

SOLVENCY AND FINANCIAL CONDITION REPORT (SFCR)

FOR THE YEAR ENDED 30 JUNE 2026

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

INDEX **Pages**

Summary 3

Directors' Report 5

Auditor's Report 6

A. Business and Performance 11

- A.1 Business
- A.2 Underwriting Performance
- A.3 Investment Performance
- A.4 Performance of other activities
- A.5 Any other information

B. System of Governance 15

- B.1 General information on the system of governance
- B.2 Fit and proper requirements
- B.3 Risk management system
- B.4 Internal control system
- B.5 Internal audit function
- B.6 Actuarial function
- B.7 Outsourcing
- B.8 Any other information

C. Risk Profile 32

- C.1 Underwriting risk
- C.2 Market risk
- C.3 Credit risk
- C.4 Liquidity risk
- C.5 Operational risk
- C.6 Other material risks
- C.7 Stress and scenario testing
- C.8 Concentration of Risk
- C.9 Any other information

D. Valuation for Solvency Purposes 38

- D.1 Assets
- D.2 Technical provisions
- D.3 Other liabilities
- D.4 Alternative methods for valuation
- D.5 Any other information

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

INDEX (continued)

E. Capital Management 45

E.1 Own funds

E.2 Solvency Capital Requirement and Minimum Capital Requirement

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

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

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

E.6 Any other Information

Appendices 48

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

SUMMARY

The harmonised EU-wide regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1 January 2016. The regime requires reporting and public disclosure arrangements to be put in place by insurers and some of that is required to be published on PAMIA Limited's (the Company) public website.

This report covers the Business and Performance of the Company, its System of Governance, Risk Profile, and Valuation for Solvency Purposes, Capital Management and required Quantitative Reporting Templates. The ultimate Administrative Body that has the responsibility for all 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 30 June each year and it reports its results in GBP-Pound Sterling.

For Solvency purposes the Company uses the standard formula to calculate its Solvency Capital Requirement (SCR) and as a mutual mono line insurer providing professional indemnity insurance to patent attorneys and trade mark attorneys. The Company's insurance business is classified as General Liability business for Solvency II 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 an agreement in place with the UK P&I Club NV (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.

By far the largest risk the Company faces as an insurance company is a severe reversal in what has in recent years been a relatively benign claims experience. The claims history demonstrates that, quite unexpectedly, claims can climb to levels that could have an impact on its financial strength were it not adequately reserved.

Accordingly, the Company has always adopted a conservative approach to its operations. This is to ensure that it has strong reserves that are capable of absorbing any exaggerated developments in its claims experience without future Members having to pay for the claims of their predecessors. It also helps in ensuring that the Company has time to react to any unexpected increases in its costs base (the cost of reinsurance for example), or its regulatory capital requirement, without having to take drastic unplanned measures.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

SUMMARY (continued)

At the same time, however, the Board is highly conscious of not accumulating reserves in excess of what a sensible degree of prudence requires. To this end, PAMIA's Business Plan requires it to hold minimum capital resources for regulatory purposes in excess of our Solvency Capital Requirement (SCR) of an amount equivalent to meet a 1 in 200 year event as calculated by the Managers' actuaries. PAMIA will aim to limit our excess capital resources in excess of our minimum target to a maximum of a further amount equivalent to that required to meet a 1 in 50-year event.

	£'000
Regulatory Capital Reserves as at 30 June 2026	**18,023**

Solvency Capital Requirement	5,241
Minimum buffer 1 in 200 year	5,006
MINIMUM TARGET	**10,247**
Maximum buffer 1 in 50 year	3,889
MAXIMUM TARGET	**14,136**

At the year-end, the Company had met its objectives of being in a strong financial position with reserves for regulatory purposes at £18.023m exceeding its maximum target bands.

During the year under review the Company recorded a surplus of £1.646m as reported in its annual financial statements under UK GAAP. The surplus was primarily due to a reduction in claims and claims provisions plus an increase in premium income and the performance of its Investment portfolio which produced a positive return of 11.28%.

Free reserves of the Company as at 30 June 2026 now stand at £17.943m.

For solvency purposes, the Company's Regulatory capital reserves are £18.023m and its Solvency Capital Requirement (SCR) is £5.241m; at the year end the Company exceeds its SCR by £12.782m (ratio of 344%).

The Company's Minimum Capital Requirement (MCR) has been calculated at £3.500m; at the year end the Company exceeds its minimum capital requirement by £14.523m (ratio of 515%).

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

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 II Regulations. The Solvency II 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 II 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 II results.

Directors' Statement

We are satisfied that:

- throughout the financial period in question, the Company has complied in all material respects with the requirements of the PRA Rules and the Solvency II 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

Signed by:
Rajiv Harnal
1F41762880FF48F...

Rajiv Harnal
Chief Financial Officer
PAMIA Limited
October 2026
07 October 2026 | 18:10 BST

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

AUDITOR'S REPORT

Report of the external independent auditor to the Directors of PAMIA Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II 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 PAMIA Limited as at 30 June 2026:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of PAMIA Limited as at 30 June 2026, ('**the Narrative Disclosures subject to audit**'); and

- Company templates IR02.01.02, IR17.01.02, IR23.01.01, IR25.04.21, IR28.01.01 ('**the Templates subject to audit**').

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

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

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;

- Company templates IR.01.02.01, IR.05.02.01, IR.05.04.02; IR19.01.21.UY; 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, except for the above the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of PAMIA Limited as at 30 June 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.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

AUDITOR'S 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 PAMIA 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 Company's ability to continue to adopt the going concern basis included the below:

- Enquiry 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 Company's ability to continue as a going concern;
- Review of the Company's financial position at year end and the level of net assets; and
- Review of the latest available Own Risk and Solvency Assessment ('ORSA') return to check compliance with regulatory solvency requirements, noting the Company to be in excess of the minimum solvency requirement. This included checking that stress testing was performed and consideration of the results of the stress testing as documented in the ORSA return.

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

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

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.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

AUDITOR'S REPORT (continued)

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 does 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.

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

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

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

- Holding discussions with management and those charged with governance to consider any known or suspected instances of non-compliance with laws and regulations or fraud identified by them;
- In response to the risk of management override of controls, assessed the appropriateness of adjustments made to the UK GAAP balances to arrive at the Solvency UK balances;

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

AUDITOR'S REPORT (continued)

- Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Review of the Company's Own Risk and Solvency Assessment for indications of any current or future issues in relation to external capital requirements and consequential breaches of laws and regulations;
- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations or any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
    - Detecting and responding to the risks of fraud; and
    - Internal controls established to mitigate risks related to fraud.
- Maintaining professional scepticism when performing our testing and considering if the results of such testing are indicative of fraud; and
- Review of correspondence with regulatory authorities for any instances of non-compliance with laws and regulations;

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

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 PAMIA Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DocuSigned by:
Alexander Barnes
0FD4E1FFA52549F...

Alexander Barnes (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street
London
W1U 8EW

Date 07 October 2026

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

Appendix – Relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo standard formula

The relevant elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

A. BUSINESS AND PERFORMANCE

A.1. BUSINESS

PAMIA Limited ('the Company') is a company limited by guarantee regulated by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The Directors of the Company are responsible for ensuring that the business is operated at all times in accordance with the requirements of the PRA and FCA, as well as discharging their fiduciary and statutory duties. 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 Company is incorporated in England as a Company limited by guarantee and not having share capital. In the event of liquidation, the net assets of the Company are to be distributed amongst such Members as per the rules set out in the Articles of Association.

The external auditors of the Company are BDO LLP situated at 55 Baker Street, London, W1U 8EW.

PAMIA is a mutual insurance company providing profession indemnity insurance to patent attorneys and trade mark attorneys. PAMIA has set strict eligibility criteria to determine who is eligible to apply to be insured to ensure that the firms and individuals it insures are a compatible risk. PAMIA provides insurance under the same terms to everyone it insures.

During the year there has been no business or other unusual or unexpected events that have had a material impact on the Company.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

A.2. UNDERWRITING PERFORMANCE

The Company's EEA business is written in Rotterdam through its fronting arrangement with the UK P&I Club NV (UKNV) and its non-EEA business is underwritten from the UK. The Company writes only one line of business which is to provide professional indemnity insurance to patent attorneys and trade mark attorneys.

For the twelve months to 30 June 2026, the Company produced a technical account surplus of £77k as detailed further in the table below which is a summary of the Company's technical account reported on a UK GAAP basis.

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

£'000	2026	2025
Premium Written	3,227	3,145
Reinsurance Premium	(1,550)	(1,550)
Net claims	(298)	(1,747)
Operating expenses	(1,210)	(1,222)
Surplus/(deficit) on technical account	77	(1,331)

The Board gave consideration to the rating structure and decided to maintain the premium rates and deferral at existing levels in anticipation of a more volatile claims environment.

Reinsurance premium remain unchanged from prior year.

Net claims incurred have decreased from last year in part due to a reversal of an impairment loss of £0.882m recognised in the previous year against a disputed reinsurance recovery which was subsequently recovered. The Company is protected against the incidence of claims by reinsurance contracts. In respect of the period ended 30 June 2026 the Company had reinsurance cover relating to claims and settlement costs of £5m less an excess of £0.4m for each and every claim but limited to £2.15m ultimate net loss in the aggregate including costs and expenses.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

A.2. UNDERWRITING PERFORMANCE (continued)

Operating expenses are marginally up from last year reflecting inflationary increases.

Investments

PAMIA requires its investment portfolio to be invested in a manner which assists it in maintaining its financial strength by preserving capital to meet its liabilities and delivering positive investment returns over the medium term to subsidise premiums.

PAMIA's assets are divided between a Short Term Fund, a Capital Fund and a Growth Fund. The breakdown is shown below:

£'000	30 June 2026
Short Term Fund	1,224
Capital fund	8,023
Growth Fund	12,358
Market value (including accrued interest)	21,605

The purpose of the Short Term Fund is to provide liquidity to meet PAMIA's projected operating cash flow requirements over the period of 12 months.

The purpose of the Capital Fund is to cover PAMIA's claims liabilities and regulatory capital requirements. In this context, "claims liabilities" does not include the run-off claims handling reserve.

The purpose of the Growth Fund is to hold free reserves for investment in riskier assets to generate positive returns over the medium term.

The investment return for the period under review was a positive 11.28% (2025: positive 6.31%).

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

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.

Investment assets split by asset class as at 30 June 2026

Assets	2026 £'000	2025 £'000
Fixed interest Securities	11,450	8,281
Equities & Alternatives	8,258	8,059
Money market funds	1,633	2,889
Other cash with financial institutions	206	217
	21,547	19,446

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

	2026 £'000	2025 £'000
Interest received	297	158
Dividends received	254	458
Gain/ (losses) on foreign exchange	5	(21)
	556	595
Gains/ (losses)on realisation of investments	306	(53)
	862	542

Expenses related to the management of these investments were £165k for the year (2025: £150k).

The Statement of Income and Movement in Reserves may be seen on page 24 of the Company's Annual Report and Financial Statements.

A.4. PERFORMANCE OF OTHER ACTIVITIES

The Company has no other activities other than its main insurance activities presented in A.2.

A.5. ANY OTHER INFORMATION

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

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

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 drawn from patent and trade mark attorneys within the Membership. 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 also set out how these powers are to be exercised.

All the Directors are Members of the Company other than the Chief Executive Officer and Chief Financial Officer who are employed by Thomas Miller, Managers of the Company.

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 Annual Report and the audited Financial Statements for the previous year;
- Investment policy;
- Approval of Regulatory returns;
- Claims development;
- Reserving;
- Business risk review.

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.

B1.1.1 Committees

The following committees aid the Board in its duties:

Audit & Risk Committee assists the Board in recommending the approval of the Financial Statements, and year end claims reserves. The Committee ensures that the Company complies and meets all legal and regulatory requirements. It is responsible for assessing the Business Risk of the Company. It is also responsible for internal and external audit appointments and to provide a clear channel of communication between the Board and the auditors.

The Claims Committee assists the Board in reviewing in detail PAMIA's notifications and claims on an anonymised basis and making recommendations to the Managers as steps that might be taken to resolve them satisfactorily. The Committee assists the Board in identifying specific or general risks emerging from claims against Members.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

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

B1.1.1 Committees (continued)

Investment Committee assists the Board in reviewing in detail the performance of PAMIA's investments and make recommendations to the Board in respect of the Investment Policy, Investment Mandate and other investment related issues.

Management Committee is responsible for monitoring the performance and effectiveness of PAMIA, including general oversight of the Managers and the effectiveness of the Board. The Committee is also the focal point for PAMIA's external relationships, including Members and organisations such as Intellectual Property Regulation Board (IPREG), Chartered Institute of Patent Attorneys (CIPA) and Chartered Institute of Trade Mark Attorneys (CITMA).

Management Fee Committee assists the Board to determine the Management Fee to be paid to the Managers.

The Nominations Committee advises the Board on the appointment and retention of Directors and Consultants and assist the Managers in providing guidance to Directors on their responsibilities.

The Rating & Reinsurance Committee assists the Board in reviewing the rating structure and reinsurance programme, make annual recommendations to the Board in respect of the same and oversee the performance of the Insurance Consultants.

Rules and Cover Committee helps determine the entry requirements for PAMIA membership, reviews PAMIA's Memorandum and Articles of Association, reviewing terms of cover offered to members, determines the terms of engagement with the Managers, Investment Managers and Insurance Consultants, ensures consistency of between the reinsurance cover and terms of cover provided to members and ensuring that the cover provided to Members is consistent with the minimum terms set by IPREG.

B1.1.2 Key functions

The Managers

The Company has no employees and as such the Board relies 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. The Managers shall be entitled to attend meetings of the Directors and of committees of the Directors and General meetings of the Company unless the Directors otherwise require.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE (continued)
B1.1.2 Key functions (continued)

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 governance map that details the key Senior Manager Functions and Key Functions. The following functions are maintained through the Responsibilities Map with a prescribed set of responsibilities:

- Chair (Board)
- Chair (Nominations Committee)
- Chair (Audit & Risk Committee)
- 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 (Manager)
- Compliance Officer (Managers)
- Money Laundering Reporting Officer (Managers)
- Chief Operations Function (Managers)

B.1.2. Remuneration

Directors receive no annual or attendance fee.

The Company has no internal executive function, and its management is wholly performed by companies within 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. The Managers' remuneration is paid for by Thomas Miller.

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

B.1.3. Related party transactions

The Company has no share capital and is controlled by the Members who are also the insureds. There have been no related party transactions between the Company and its members outside the normal course of business.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

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

B.1.3. Related party transactions (continued)

All the Directors are Members of the Company other than the Chief Executive Officer and Chief Financial officer who are employed by Thomas Miller, Managers of Thomas Miller Professional Indemnity. Other than their own insurance the Directors have no financial interests in the Company. The Member Directors received no remuneration for their services to the Company.

No related party transactions have occurred during the year.

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. There have been no material changes in the Company's system of governance during the reporting period.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

B.2. FIT AND PROPER REQUIREMENTS

The Company has in place a Fit & Proper Policy that sets out its approach to the fitness and propriety of the persons responsible for running the Company, including executive senior management 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.

Fit and proper assessments are carried out by the Chair, the Chief Executive Officer or the Compliance Officer. No person is permitted to undertake their own assessment.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

B.3. RISK MANAGEMENT SYSTEM

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

1st line of defence: business functions, process and risk owners
2nd line of defence: risk management and compliance functions
3rd line of defence: internal / 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 PAMIA 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 not only covers the risks included in the calculation of the Solvency Capital Requirement but also other risks to which PAMIA is exposed and which are considered to be materially relevant to its business.

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 PAMIA's risk management strategy are to identify measure, monitor, manage, and report in a consistent, continuous and timely fashion, on the basis of PAMIA's risk appetite as set by the Board.

The Risk Management Framework helps both support and relay PAMIA'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 PAMIA is exposed are recorded in the Business Risk Assessment.

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 Assessment.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

B.3. RISK MANAGEMENT SYSTEM (continued)

Implementation of the Risk Management Strategy: Risk Policies and Procedures

PAMIA'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 PAMIA is exposed. They define PAMIA'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 PAMIA's Managers and all staff in PAMIA's three lines of defence structure.

The policies also include appropriate reporting procedures to ensure that information relating to the component elements of risk management is routinely reported to the Audit & Risk Committee and to the Board.

Risk Appetite

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

- We will remain the leading provider of professional indemnity insurance to qualifying practices, maintaining our current market position.
- We will continue to provide high quality cover and services, looking to broaden the cover where to do so are compatible with providing insurance on a mutual basis.
- We will consider opportunities to provide insurance to patent attorneys and trade mark attorneys in other common law jurisdictions where we consider it in the interests of current members to do so.

The Board determines the appropriate risk appetite and sets PAMIA'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 PAMIA's Own Risk & Solvency Assessment (ORSA) and in Risk Reports as and when tolerances are breached.

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 PAMIA. The Audit & Risk Committee supports the Board by providing oversight of the Risk Management Function.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

B.3. RISK MANAGEMENT SYSTEM (continued)

Business Risk Assessment: Measurement and Management

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

Emerging Risk Log

As explained 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 Manager's Management Committee meeting (which meets quarterly) and included in the Business Risk Assessment which is reviewed at least annually by the Audit & Risk Committee.

Risk Categories

The Business Risk Assessment includes the following categories of risk:

- Underwriting
- Reserving
- Counterparty / Credit Risk
- Market (including Investment, Asset-Liability Management, Liquidity and Concentration risks)
- Operational (to include)
    - Operational Controls
    - Financial
    - Information Technology
    - Compliance / Regulatory / Legal
- Emerging

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 or controls in place.

The assessment of each risk is on the basis of 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 Assessment are re-assessed on an ongoing basis and at least annually by the Managers and by the Audit & Risk Committee. The Managers, in collaboration with the Risk Officer, consider the Business Risk Assessment in the light of changes to the business plan.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

B.3. RISK MANAGEMENT SYSTEM (continued)

The Managers and Risk Owners

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

- To identify and evaluate the risks faced by PAMIA 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 various Committees.
- To review the Business Risk Assessment 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.

Own Risk and Solvency Assessment ("ORSA")

Every year, and on an ad hoc basis, if circumstances materially change, PAMIA prepares an ORSA overview report. The ORSA is the process used by PAMIA to manage its financial and solvency position over the period of its Business 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 PAMIA's Business Planning Process.

The key elements of the ORSA process are:

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

The Audit & Risk Committee reviews the ORSA and recommends it for approval and use by the Board.

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

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

The Assessments to date indicate that PAMIA is adequately capitalised.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

B.3. RISK MANAGEMENT SYSTEM (continued)

Risk Controls

PAMIA'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 Assessment.

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 the Electronic Quality Management System (EQMS).

Controls may be *proactive* or *reactive*. Those that are proactive should reflect the business plan objectives and seek not only to 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; PAMIA's risk appetite; and the cost of implementing controls relative to the significance of the risk.

The Risk Management Framework encompasses a number of elements that together facilitate an effective and efficient operation, enabling PAMIA 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**
  PAMIA 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 PAMIA'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 PAMIA's underlying approach to internal control. PAMIA'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.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

B.3. RISK MANAGEMENT SYSTEM (continued)

- **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 PAMIA'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 PAMIA's objectives on an annual basis, using PAMIA's assessment of risks as recorded in the Business Risk Assessment. 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.

- **Statutory audit**
  Statutory (external) audit provides an opinion on whether the financial statements give a true and fair view of the state of PAMIA's affairs at the year-end and of its surplus or deficit 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.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

B.3. RISK MANAGEMENT SYSTEM (continued)

Risk Reporting Procedures

Risk Owners hold management meetings every quarter. The management meetings present a formal opportunity to discuss risks and the effectiveness of controls, but discussions are held as required outside those meetings. Any amendments to the Business Risk Assessment proposed by Risk Owners are presented to PAMIA's Audit & Risk Committee at the first meeting following any amendment.

Risk Owners also identify Risk Events which are reviewed by the Managers Management Committee and then recorded on PAMIA's Risk Event 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 also, 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 in 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 PAMIA's recent performance and its risk profile whilst also providing consideration of business planning and scenario testing.

The various aspects of the Risk Management System have been described above. The Risk Management Function is fulfilled by PAMIA's Risk Officer who oversees risk management; provides independent challenge; and has direct access to the Chair of the Audit & Risk Committee. The Risk Management Function maintains an organisation-wide and aggregated view of the risk profile of PAMIA, 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 PAMIA'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 Assessment 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 also 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 Assessment, the risk matrix, the risk appetite statements and preferences and tolerances.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

B.4. INTERNAL CONTROL SYSTEM

Internal control is defined as a continually operating process effected by PAMIA's Board, the Managers, all staff and systems and designed to support PAMIA 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 Assessment, 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, PAMIA'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

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

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 Audit & Risk Committee ("ARC") via its Chairman, and administratively to the Chief Executive Officer ("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 ARC. 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.

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.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

B.5. INTERNAL AUDIT FUNCTION (continued)

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 individual and / or aggregated 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 Policies and Procedures.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

B.6. ACTUARIAL FUNCTION

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

The Actuarial Function is independent of the Company's management team and is 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 interactions with the management team and attendance at meetings of the Board and Board committees.

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

- coordinating and overseeing the calculation of Solvency II 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.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

B.7. OUTSOURCING

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

Material business activities include the Key functions of PAMIA's system of governance i.e. Risk Management, Compliance, Actuarial and Internal Audit, 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 PAMIA's business operations or its ability to manage risks effectively.

Management outsourcing

PAMIA has no internal executive function and its management is wholly, outsourced under a management agreement to Thomas Miller Professional Indemnity Limited (the 'Managers'), which is a wholly owned subsidiary of Thomas Miller.

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 PAMIA's investments is outsourced to Thomas Miller Investment Limited, which is part of the Thomas Miller group of companies, under an Investment Management Agreement.

The performance of the investment managers is reviewed by the Investment Committee at each of its meetings and the Board receives a report from the Investment Committee at every Board meeting.

Oversight

The Board bears ultimate responsibility for outsourced material business activities. The Board is supported by the Audit & Risk Committee, the Managers, the Risk Officer, the Compliance Director, the Internal Auditor and the Investment Manager which monitors the activities of PAMIA, including outsourcing.

B.8. ANY OTHER INFORMATION

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

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

C. RISK PROFILE

The key areas of risk affecting the Company can be classified as follows:

- Underwriting Risk
- Market Risk
- Credit Risk
- Liquidity Risk
- Operational Risk

The Company has set out a number of risk appetite statements, which guide the implementation of its business plan.

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

C.1. UNDERWRITING RISK

The Company's main objective is to remain the leading provider of professional indemnity insurance to patent and trade mark attorneys in private practice in the UK and Ireland. The Company covers individuals, limited liability partnerships and limited companies. The Company seeks to maintain a reputation for claims handling expertise, financial strength and excellent policy coverage.

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 uses reinsurance to manage its Underwriting Risk. However, the Company is exposed to the risk that the reinsurers do not pay the claims. This risk is covered under Credit Risk.

Reserve Risk is managed by the Company's Reserving Policy. The Company establishes provisions for unpaid claims and related expenses to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions. Given the size and nature of the Company's business and uncertain claims performance with historically low numbers of claims experienced, the actuarial methods have been supplemented with additional information provided by the Managers on individual open claims and circumstances. In order to minimise the risk of understating these provisions, the assumptions made, actuarial techniques and resulting claims reserves are reviewed by the Managers and the Audit and Risk Committee and are included within the scope of the external audit performed.

Premium Risk is managed by the Company's 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.

<u>Risk Mitigation</u>

Underwriting Risk is mitigated by the Company's reinsurance programme. The Company currently has reinsurance cover relating to claims and settlement costs of £5,000,000 less an excess of £400,000. This cover has free and unlimited reinstatements. The Company also has a whole account stop loss which limits the total net cost in respect of the 2025 policy year to £2,150,000.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

C. RISK PROFILE (continued)

C.2. MARKET RISK

Market Risk arises through fluctuations in equity values, interest rates, corporate bond spreads and foreign currency exchange rates. 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".

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:

The following table sets out a breakdown of the Company's assets as reported in the annual financial statements:

As at 30 June 2026	Total £'000
Fixed income	11,450
Equity & Alternatives	8,258
Money market funds	1,633
Other cash with financial institutions	206
Reinsurers share of claims outstanding	4,887
Cash at bank and in hand	2,354
Debtors arising from reinsurance	-
Other	89
	28,877

The foreign currency risk sensitivity as at 30 June 2026 if the UK Sterling weakened/strengthened by 5% against the US dollar and Euro with all factors remaining unchanged, free reserves at year end would increase/decrease by £0.127m.

The Company's Market Risk is dominated by Equity Risk. This is due to the Company investing a large percentage of its assets in equities and alternative investments.

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.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

C. RISK PROFILE (continued)

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;
- appropriate to the nature, currency 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; and
- 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 and approved by the Board on a triannual basis and ad hoc as required and is subject to the Company's Investment Policy.

The Company's Investment Strategy 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.3. CREDIT RISK

The Company is exposed to price risk through its holding of equities and alternatives as financial investments at fair value through profit and loss. At the year end the holding in equity and alternative instruments amounted to 38% of the investment portfolio (2025:48%).

A 1% increase in equity values would be estimated to have increased the surplus before tax at the year-end by £0.083m. A 1% fall in equity values would have an equal and opposite effect. This analysis assumes that all other variables remain constant.

An increase of 100 basis points in interest rates at the year-end date, with all other factors unchanged will result in a £0.115m fall in the value of the Company's investments. A decrease of 100 basis points would have an equal and opposite effect.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

C. RISK PROFILE (continued)

C.3. CREDIT RISK (continued)

Credit Risk is the risk of loss in the value of 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 30 June 2026	AAA/AA/A £'000	BBB or less or not rated £'000	Total £'000
Fixed Income	11,450	-	11,450
Equities & Alternatives	-	8,258	8,258
Money market funds	1,633	-	1,633
Other cash with financial institutions	-	206	206
Reinsurers share of claims outstanding	4,887	-	4,887
Cash at bank and in hand	-	2,354	2,354
	17,970	10,818	28,788

As the Company's claims tend to be small, typically the Company is not exposed to significant reinsurance Counterparty Default Risk. However, 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 risk management techniques, which are discussed below:

- 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 limits any single placement to no more than 25% of the total cover.
- The Company requires reinsurance cover to be placed with a minimum of five reinsurers.
- 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.

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

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

C. RISK PROFILE (continued)

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 Strategy.

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 30 June 2026	Short term assets £'000	Within 1 year £'000	2-5 years £'000	Total £'000
Fixed income	-	3,518	7,932	11,450
Equities & Alternatives	8,258	-	-	8,258
Money market funds	1,633	-	-	1,633
Other cash with financial institutions	206	-	-	206
Cash and cash equivalents	2,354	-	-	2,354
Other debtors	31	-	-	31
Accrued income	58	-		58
	12,540	3,518	7,932	23,990

Reliance on expected future profit

As the Company is a mutual insurer, it does not aim to make "profit" from its activities. However, surpluses or deficits may arise in the course of its operations due to actual experience being different to expectations.

Given the holding in liquid assets, the Company does not rely on expected future surpluses to ensure its liquidity.

The Company's Solvency II balance sheet as at 30 June 2026 recognises expected future premium of £1.054m from Members in its technical provisions in respect of outstanding premium income for the 2026/27 policy year. Comparing this to the corresponding expected claims outcome, reinsurance costs and associated expenses, this premium is expected to produce a discounted gross surplus of £292k. However, it should be noted that the Solvency II balance sheet does not reflect all future cash flows and the expected surplus (if any) over the year arising from this premium would be lower than this.

C.5. OPERATIONAL RISK

Operational Risk relates 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.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

C. RISK PROFILE (continued)

C.6. OTHER MATERIAL RISKS

The Company has not identified any other material risk that it considers necessary for disclosure.

C.7. STRESS AND SCENARIO TESTING-

The Company carries out stress and scenario testing as part of its risk management and ORSA process. This is based upon the Company's business plan and projects the Company's financials over the next 3 years and considers its solvency position relative to its overall risk appetite statement. The Company's latest ORSA report as at February 2026 included consideration of the following scenarios:

- Catastrophe claims scenario
- Investment assets loss
- Large increase to expenses
- Increase to reinsurance premium
- Future claims and expenses inflation
- Investment loss arising from climate-related risks
- Large increase in premium rates

Under each of the scenarios, the Company would still be able to meet its regulatory capital requirements.

In addition, reverse stress testing was carried out, considering scenarios that would lead to a failure of the Company's business plan. The scenarios required to drive the Company's solvency capital below its regulatory capital requirement were extremely unrealistic, giving comfort in the robustness of the Company's business model.

C.8. CONCENTRATION OF RISK

The Company writes large limits and therefore is in theory exposed to a concentration of risk from related claims. This risk is partly mitigated by the Company's reinsurance programme which includes unlimited reinstatements at the individual claim level and limits the total net cost to the Company for the policy year.

C.9. ANY OTHER INFORMATION

The Company has not identified any other material information that it considers necessary for disclosure.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

D. VALUATION FOR SOLVENCY PURPOSES

D.1. ASSETS

Valuation of the Company's assets (excluding technical provisions) as at 30 June 2026 in GBP £'000's:

	Solvency II	UK GAAP
Investments (other than assets held for index –linked and unit-linked contracts)	21,418	21,547
Insurance and intermediaries receivables	-	-
Reinsurance receivables	-	-
Cash and cash equivalents	2,538	2,354
Any other assets not elsewhere shown	35	91
Total	**23,991**	**23,992**

The above table presents amounts at Solvency II and UK GAAP valuation basis respectively. For classification purposes the Solvency 2 classification of amounts has been used. Refer to appendix IR.02.01.02 for a full Solvency II balance sheet amounts.

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

Investments
Investments are carried at market value. Market value is calculated using the bid price at the close of business on the balance sheet date. The market 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. Where there is no active market, fair value is measured by reference to other factors such as independent valuation reports.

A financial instrument 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.

There was a £129k difference between the valuation used for Solvency II purposes and the valuations used in the Company's financial statements; this was due to a re-classification of assets between investments and cash and cash equivalents

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

D. VALUATION FOR SOLVENCY PURPOSES (continued)

D.1. ASSETS (continued)

Reinsurance, insurance and intermediaries' recoverables
These represent balances that are due for existing insurance and reinsurance contracts. Due to the short term nature of these balances, the carrying amount is considered to be 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 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 highly liquid investments. The carrying value of these balances is considered to be a suitable proxy for fair value. Cash and cash equivalents does not include money market funds which under PRA CIC table classification are reported under asset category "Collective Investment Undertakings".

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 to be a reasonable approximation 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.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

D. VALUATION FOR SOLVENCY PURPOSES (continued)

D.2. TECHNICAL PROVISIONS

Net technical provisions as at 30 June 2026:

	£'000
Gross best estimate	8,419
Reinsurance best estimate	(3,986)
Risk Margin	198
Net technical provisions	4,631

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

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 II 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).

The calculation of the different elements of the technical provisions is discussed below.

Claims

As the Company only offers professional indemnity cover for patent and trade mark attorneys, all claims are analysed together in one risk group. Standard actuarial techniques are used to project these cash flows including chain ladder and Bornhuetter-Ferugson methods. The key assumptions relate to the initial expected claims cost for each policy year and the projected notified claims development pattern. Given the size and nature of the Company's business, there are relatively few claims. Therefore there are limitations to the reliability of standard actuarial methods and so the actuarial methods used have been supplemented with additional information provided by the Managers on individual open claims and circumstances. The reserving methods used are considered appropriate given the longevity and stability of the Company and its claims handling processes.

Allowance is also made for claims corresponding to the premium provision. These are valued based on the Company's business plan. The key assumptions relate to the expected future claims costs.

The future claims cash flows are the most uncertain element of the technical provisions. The uncertainty involved was discussed in section C.1 on Underwriting Risk.

Premiums

The premium cash flows in the technical provisions cover the premium payable but not yet due on bound but not incepted business (corresponding to the premium provision).

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

D.2. TECHNICAL PROVISIONS (continued)

Expenses

The technical provisions include 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 provision for claims outstanding (for expired business) and a corresponding amount is derived in respect of the premium provision (for bound but not incepted business).

Risk margin

The risk margin is calculated based on the requirement to hold capital to meet the Solvency Capital Requirement until all claims liabilities are settled and a prescribed cost-of-capital rate of 6% per annum. This calculation is based on the assumption that a "reference undertaking" takes on the insurance obligations (and associated reinsurance arrangements). The Solvency Capital Requirement 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. The Solvency Capital Requirements in future time periods have been calculated based on the expected run-off of Underwriting Risk and Operational Risk and assuming Counterparty Default Risk runs off in line with the run-off of the best estimate reinsurance recoverables.

Reinsurance recoverables

This relates to the Company's expected recoverables from its reinsurance arrangements at the valuation date. It is made up of two elements: reinsurance recoveries and reinsurance premiums. These are valued on a consistent basis with the corresponding claims and premiums elements of the technical provisions. In addition, an adjustment is made to take account of expected losses due to default of the reinsurance counterparties.

Uncertainty in the technical provisions

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

In particular the following represents the main sources of uncertainty that may impact the outcome of the Company's technical provisions:

- There is a risk that any legal changes in, for example, the handling of claims, may affect the average cost per claim. Similarly regulatory changes could potentially affect the claims reserves.
- New and unexpected claim types could impact the reserving methodology. This is partly allowed for in the Company's provision for events not in data.
- Claims arising from circumstances at later stages of development compared to what has been seen in previous years.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

D. VALUATION FOR SOLVENCY PURPOSES (continued)

D.2. TECHNICAL PROVISIONS (continued)

Differences between GAAP and Solvency II technical provisions

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

	Note	Gross £'000	RI £'000	Net £'000
UK GAAP technical provisions		7,656	4,887	2,769
Eliminate claims margin		(339)	-	(339)
Eliminate unearned premium reserve	1	(185)	-	(185)
Adjustment to expense reserve	2	492	-	492
Provision for contracts bound but not incepted	3	1,572	(492)	2,064
Events not in data	4	240	196	44
Reinsurance counterparty default adjustment	5	-	(2)	2
Effects of discounting	6	(1,016)	(602)	(414)
Technical provisions before risk margin		8,420	3,987	4,433
Risk margin	7	198	-	198
Total Solvency II technical provisions		**8,618**	**3,987**	**4,631**

Notes

1. Eliminate unearned premium reserve

The Solvency II balance sheet contains no concept of premium earning, and as a consequence, any such balances are eliminated upon transition to the Solvency II balance sheet. These balances are replaced by a provision for future cash flows expected on unexpired business as further discussed in 4 below.

2. Adjustment to expense reserve

Unlike UK GAAP, Solvency II recognises all expense cash flows incurred in serving insurance obligations. This includes both direct and overhead expenses, as well as investment management expenses. As such, an adjustment is made.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

D. VALUATION FOR SOLVENCY PURPOSES (continued)

D.2. TECHNICAL PROVISIONS (continued)

3. Provision for contracts bound but not incepted

Solvency II valuation methodology requires contracts to be recognised when the insurer becomes party to the insurance contract. Usually, an undertaking becomes a party to 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. Future premium adjusted for deferred income is recognised as Bound But Not Incepted ("BBNI") business. A provision on the Solvency II balance sheet, known as the "premium provision", is thus made for future premiums, claims and expenses that relate to BBNI business.

As a large portion of premium has been received in advance on a gross basis and the provision on a future cashflow basis is a liability. Reinsurance premium has not been paid in advance and as expected the reinsurance costs more than we expect to receive back so is also a liability. Therefore on a net basis the liability is higher as these two provisions are added together.

4. Events not in data

Solvency II 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.

5. Reinsurance counterparty default adjustment

For the Solvency II 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.

6. Effects of discounting

Since Solvency II 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.

7. Risk Margin

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

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

D.3. OTHER LIABILITIES

Valuation of the Company's other liabilities as at 30 June 2026

	Solvency II £'000	UK GAAP £'000
Payables (trade, not insurance)	726	726
Reinsurance payables	-	-
Any other liabilities not shown elsewhere	596	2,571
	1,322	3,278

Payables (trade, not insurance)

These represent balances payable other than on insurance contracts. Due to the short term nature of these balances, the carrying amount is considered a suitable proxy for fair value.

The differences between the valuation used for Solvency II purposes and the valuation used in the Company's financial statements is due to recognition of cash received from members prior to the year end.

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 presented separately on the face of the balance sheet whether they are due or not yet due.

Any other liabilities not elsewhere shown

These balances include all sundry payables and accruals. Due to the short term nature of these balances, the carrying amount is considered a suitable proxy for fair value.

The main difference between the valuation used for Solvency II purposes and the valuation used in the Company's financial statements is the removal of the provision for contributions received in advance of £1.9million in UK GAAP.

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.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

E. Capital Management

E.1 Own funds

	2026 £'000	2025 £'000
SCR ratio	344%	345%
SCR	5,241	4,734
Eligible capital	18,023	16,349
Excess / (shortfall)	12,782	11,616
MCR Ratio	515%	467%
MCR	3,500	3,500
Eligible capital	18,023	16,349
Excess / (shortfall)	14,523	12,849
Tier 1 Basic own funds	18,023	16,349

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 for Basic and Supplementary contributions from members. The Company's practice is to defer collection of some element of the Basic Contribution called premium deferral. The Company retains its right to call upon the premium so deferred. 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 to the PRA for approval of the methodology to calculate ancillary own funds ("AOF").

Information, objectives, policies and processes for managing own funds
The Company's objective 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.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

E. Capital Management (continued)

E.1 Own funds (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 II equity reserves.

	2026 £'000
UK GAAP reserves	**17,943**
Solvency II gross technical provisions adjustment	(962)
Accruals and deferred income adjustments	1,941
Solvency II RI technical provisions adjustment	(900)
Total Solvency II basic own funds	**18,023**

The two most material adjustments to reserves are as a result of the differences in valuation of technical provisions and reallocation of contributions received in advance to Solvency II technical provisions since these represent future cash flows received that relates to BBNI business. 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

The table below sets out the capital requirements for the Company for the year ended 30 June 2026 and period ended 30 June 2025 for comparison.

	2026 **£'000**	**2025** **£'000**
SCR	**5,241**	**4,734**
Made up of		
Underwriting Risk	1,576	1,664
Market Risk	4,243	3,645
Counterparty Default Risk	265	280
Operational Risk	253	246
Diversification effects	(1,096)	(1,101)
MCR	**3,500**	**3,500**

The SCR has been calculated using the Solvency II Standard Formula. It is not subject to supervisory assessment, but it is subject to external audit. The Company does not use any simplifications or undertaking specific parameters to calculate the SCR.

The main risks that drive the SCR are Underwriting Risk and Market Risk. Underwriting Risk stems from the insurance risk that the Company assumes through the course of its normal business activities. Market Risk stems from the Company's investment holdings.

The SCR has increased from £4.7m to £5.2m over the year, an increase of £0.5m (11%). This is primarily driven by higher Equity Risk and Spread Risk. The increase in Equity Risk reflects an increase in the symmetric adjustment (the mechanism within the calculation to allow for the current position of equity markets). The changes to PAMIA's investment mandate to hold corporate bonds has led to slightly higher Spread Risk.

Docusign Envelope ID: 693687AB-73A3-8CF4-8340-73F86C6071D5

E. Capital Management (continued)

The inputs used to calculate the Company's MCR can be found in appendix IR.28.01.01.

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 by the Company.

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

The Company uses the Standard Formula for its Solvency Capital Requirement.

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

The Company has fully complied with the Minimum Capital Requirement and Solvency Capital Requirement during the period under review.

Refer to section E.1 for results of the Minimum Capital Requirement and Solvency Capital Requirement calculations.

E.6 Any other information

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

PAMIA LTD

Solvency and Financial Condition Report

Disclosures

30 June

2026

(Monetary amounts in GBP thousands)

General information

Entity name	PAMIA LTD
Entity identification code and type of code	LEI/213800S1Z441WURQUT86
Type of undertaking	Non-life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	30 June 2026
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

-

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)	21,418
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	7,990
R0140	*Government Bonds*	7,990
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	13,410
R0190	*Derivatives*	18
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	3,987
R0280	*Non-life and health similar to non-life*	3,987
R0315	*Life and health similar to life, excluding index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	0
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	2,538
R0420	Any other assets, not elsewhere shown	35
R0500	**Total assets**	27,978

		Solvency II value
	Liabilities	C0010
R0505	Technical provisions - total	8,618
R0510	*Technical provisions - non-life*	8,618
R0515	*Technical provisions - life*	0
R0542	Best estimate - total	8,419
R0544	*Best estimate - non-life*	8,419
R0546	*Best estimate - life*	
R0552	Risk margin - total	198
R0554	*Risk margin - non-life*	198
R0556	*Risk margin - life*	
R0565	Transitional (TMTP) - life	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	0
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	15
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	726
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in Basic Own Funds*	
R0870	*Subordinated liabilities in Basic Own Funds*	0
R0880	Any other liabilities, not elsewhere shown	596
R0900	**Total liabilities**	9,955
R1000	**Excess of assets over liabilities**	18,023

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
R0010			IE	DE	BE	FR	NL	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	4,009	107	61	45	15	14	4,253
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	1,550						1,550
R0200	Net	2,459	107	61	45	15	14	2,703
	Premiums earned							
R0210	Gross - Direct Business	3,075	26	15	11	4	4	3,135
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	1,550						1,550
R0300	Net	1,525	26	15	11	4	4	1,585
	Claims incurred							
R0310	Gross - Direct Business	-69	-28		-51			-148
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	538						538
R0400	Net	-607	-28	0	-51	0	0	-686
R0550	**Net expenses incurred**	2,845						2,845

IR.05.04.02

Non-life income and expenditure : reporting period

		All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)	Non-life insurance and accepted proportional reinsurance obligations									
				Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance - personal lines	Motor vehicle liability insurance - non-personal lines	Motor vehicle other motor insurance - personal lines	Motor vehicle other motor insurance - non-personal lines	Marine, aviation and transport insurance	Fire and other damage to property insurance - personal lines	Fire and other damage to property insurance - non-personal lines
		C0010	C0015	C0110	C0120	C0130	C0140	C0141	C0150	C0151	C0160	C0170	C0180
	Income												
	Premiums written												
R0110	Gross written premiums		0										
R0111	Gross written premiums - insurance (direct)		0										
R0113	Gross written premiums - accepted reinsurance		0										
R0160	Net written premiums		0										
	Premiums earned and provision for unearned												
R0210	Gross earned premiums		0										
R0220	Net earned premiums		0										
	Expenditure												
	Claims incurred												
R0610	Gross (undiscounted) claims incurred		0										
R0611	Gross (undiscounted) direct business		0										
R0612	Gross (undiscounted) reinsurance accepted		0										
R0690	Net (undiscounted) claims incurred		0										
R0730	Net (discounted) claims incurred	0	0										
	Analysis of expenses incurred												
R0910	Technical expenses incurred net of reinsurance ceded	0											
R0985	Acquisition costs, commissions, claims management costs	0	0										
	Other expenditure												
R1140	Other expenses	0											
R1310	**Total expenditure**	0											

IR.05.04.02

Non-life income and expenditure : reporting period

		Non-life insurance and accepted proportional reinsurance obligations								Accepted non-proportional reinsurance					
		General liability insurance				Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation and transport	Property	Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
		Employers Liability	Public & products Liability	Professional Indemnity	Other general liability										
		C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0310	C0320	C0330	C0340	C0525	C0545
	Income														
	Premiums written														
R0110	Gross written premiums	0	0	0	0										
R0111	Gross written premiums - insurance (direct)	0	0	0	0										
R0113	Gross written premiums - accepted reinsurance	0	0	0	0										
R0160	Net written premiums	0	0	0	0										
	Premiums earned and provision for unearned														
R0210	Gross earned premiums	0	0	0	0										
R0220	Net earned premiums	0	0	0	0										
	Expenditure														
	Claims incurred														
R0610	Gross (undiscounted) claims incurred	0	0	0	0										
R0611	Gross (undiscounted) direct business	0	0	0	0										
R0612	Gross (undiscounted) reinsurance accepted	0	0	0	0										
R0690	Net (undiscounted) claims incurred	0	0	0	0										
R0730	Net (discounted) claims incurred														
	Analysis of expenses incurred														
R0910	Technical expenses incurred net of reinsurance ceded														
R0985	Acquisition costs, commissions, claims management costs	0	0	0	0										
	Other expenditure														
R1140	Other expenses														
R1310	**Total expenditure**														

IR.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
	Best estimate																	
	Premium provisions																	
R0060	Gross								1,216									1,216
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default								-660									-660
R0150	**Net Best Estimate of Premium Provisions**								1,876									1,876
	Claims provisions																	
R0160	Gross								7,203									7,203
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default								4,647									4,647
R0250	**Net Best Estimate of Claims Provisions**								2,556									2,556
R0260	**Total best estimate - gross**								8,419									8,419
R0270	**Total best estimate - net**								4,433									4,433
R0280	**Risk margin**								198									198
R0320	**Technical provisions - total**								8,618									8,618
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**								3,987									3,987
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**								4,631									4,631

IR.19.01.21

Non-Life insurance claims

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	20	52	41	14	73	7	1	0	0	0		0	209
R0170	-8	80	7	0	0	0	0	16	0	0			0	103
R0180	-7	7	37	391	408	467	503	1,308	314				314	3,435
R0190	-6	7	13	77	0	0	0	0					0	97
R0200	-5	55	43	376	72	73	123						123	743
R0210	-4	29	979	320	0	0							0	1,328
R0220	-3	97	39	14	28								28	178
R0230	-2	230	165	18									18	412
R0240	-1	106	79										79	185
R0250	0	128											128	128
R0260												Total	691	6,819

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	-9	1,807	1,497	975	2,393	397	201	0	0	0	0		0
R0170	-8	1,484	2,960	446	210	1	0	0	0	0			0
R0180	-7	1,696	1,248	1,132	895	681	1,034	668	0				0
R0190	-6	1,352	897	1,132	203	120	0	0					0
R0200	-5	4,666	2,739	899	764	5,378	4,430						4,192
R0210	-4	3,148	2,170	219	7	12							11
R0220	-3	1,210	1,076	552	270								244
R0230	-2	1,002	642	811									714
R0240	-1	1,139	1,033										906
R0250	0	1,308											1,137
R0260												Total	7,203

Gross premium

		C0570	C0580
		Gross earned premium at reporting reference date	Estimate of future gross earned premium
R0160	N-9	0	0
R0170	N-8	0	0
R0180	N-7	0	0
R0190	N-6	0	0
R0200	N-5	0	0
R0210	N-4	0	0
R0220	N-3	0	0
R0230	N-2	0	0
R0240	N-1	0	0
R0250	N	0	0

IR.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	18,023	18,023			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
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**	0				
R0290	**Total basic own funds**	18,023	18,023	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees	0				
R0350	Letters of credit and guarantees other	0				
R0360	Supplementary members calls	0				
R0370	Supplementary members calls - other	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	18,023	18,023	0	0	0
R0510	Total available own funds to meet the MCR	18,023	18,023	0	0	
R0540	Total eligible own funds to meet the SCR	18,023	18,023	0	0	0
R0550	Total eligible own funds to meet the MCR	18,023	18,023	0	0	
R0580	**SCR**	5,241				
R0600	**MCR**	3,500				
R0620	**Ratio of Eligible own funds to SCR**	343.90%				
R0640	**Ratio of Eligible own funds to MCR**	514.95%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	18,023				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0725	Deductions for participations in financial and credit institutions					
R0730	Other basic own fund items	0				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	18,023				

IR.25.04.21

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

		C0010
	Market risk	
R0070	Interest rate risk	534
R0080	Equity risk	3,989
R0090	Property risk	0
R0100	Spread risk	283
R0110	Concentration risk	0
R0120	Currency risk	15
R0125	Other market risk	
R0130	Diversification within market risk	-577
R0140	**Total Market risk**	4,243
	Counterparty default risk	
R0150	Type 1 exposures	0
R0160	Type 2 exposures	0
R0165	Other counterparty risk	265
R0170	Diversification within counterparty default risk	0
R0180	**Total Counterparty default risk**	265
	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)	1,243
R0340	Non-life catastrophe risk	400
R0350	Lapse risk	728
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	-795
R0370	**Non-life underwriting risk**	1,576
R0400	**Intangible asset risk**	
	Operational and other risks	
R0422	Operational risk	253
R0424	Other risks	
R0430	**Total Operational and other risks**	253
R0432	**Total before all diversification**	7,709
R0434	Total before diversification between risk modules	6,337
R0436	Diversification between risk modules	-1,096
R0438	**Total after diversification**	5,241
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**	5,241
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**	5,241
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	

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	C0010
R0010	MCR_{NL} Result	811

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	4,433	2,703
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		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	C0070
R0300	Linear MCR	811
R0310	SCR	5,241
R0320	MCR cap	2,358
R0330	MCR floor	1,310
R0340	Combined MCR	1,310
R0350	Absolute floor of the MCR	3,500
R0400	**Minimum Capital Requirement**	3,500