Insurance House P.J.S.C.

Recovery Plan 2024

(Updated in January 2025)

Contents

1 Introduction

The purpose of this recovery plan is to enhance the resilience of Insurance House P.J.S.C ("IH" or "Company") during periods of severe financial stress. It aims to provide guidance for stabilising and restoring its financial position and overall viability. The recovery plan serves as a crucial resource for crisis preparedness and management, designed for implementation in distressed situations rather than as a mere compliance exercise.

The recovery plan considers the Recovery Planning Regulation issued in accordance with the powers granted to the Central Bank under the provisions of the Decretal Federal Law No. (14) of 2018 Regarding the Central Bank & Organisation of Financial Institutions and Activities, as amended, and Federal Law No. (6) of 2007 Concerning Organising of Insurance Operations, as amended.

2 Executive Summary

The Company's Solvency Capital Requirement as of 2024 H1 is AED 56,7m and the Basic Own Funds have a negative value of AED -23m leading to a shortfall of c AED 123m when compared to the Minimum Capital Requirement of AED 100m. These are not sufficient to cover the Solvency Capital Requirement with a solvency coverage ratio of -40%.

The Company has outlined the following key actions to address its solvency deficit by increasing Total Basic Own Funds, which include Basic Own Funds and Subordinated Liabilities. The actions are as follows:

- Increasing Admissible Assets: This will involve enhancing the admissibility of previously inadmissible assets by improving the collection process and thus the admissibility of receivables and recoveries from salvages and subrogation.
- Raising Fresh Capital: This is to improve solvency and liquidity for servicing existing liabilities. The current solvency shortfall is approximately AED 122.7 million, driven by the Minimum Capital Requirement (MCR). The main focus over the short term is to meet the SCR needs by increasing admissible assets less liabilities, inject fresh Tier 1 Capital and secure Subordinated Liabilities by way of a Key Shareholder Guarantee. Over the medium term, through retained earnings, the Company plans to increase the Basic Own Funds and cover the MCR.

The Company plans to raise capital through the following ways.

- Raise AED 25M in Tier 1 capital within 90 days of CBUAE approval.
- Issue a letter of Guarantee by the key shareholder of AED 100M. The Shareholder Guarantee will be triggered if and when the Net Admissible Assets fall below the level of Net Admissible Assets as at 30 September 2024. If such an event occurs, then the IH Shareholders will be required to inject the amount of shortfall and restore the Net Admissible Assets to the level as at 30 September 2024, following the process detailed in Section 7 of this document. Both the above actions are subject to formal approval from the Shareholders of the Key Shareholder viz. Finance House PJSC, post obtaining approval of CBUAE for this recovery plan as proposed herein.

The Solvency Position Projections illustrated in the table below are based on the assumption that CBUAE will accept the Key Shareholder Guarantee as "Subordinated Liability under Basic Own Funds".

The Company's projected solvency position is as follows:

CATEGORY	ANNUAL SOLVENCY POSITION BY YEAR AED '000			
	2024 H1	2024 FY	2025 FY	2026 FY
Minimum Capital Requirement (MCR)	**100,000**	**100,000**	**100,000**	**100,000**
Solvency Capital Requirements (SCR)	**56,665**	**56,914**	**66,214**	**76,057**
Minimum Guarantee Fund (MGF)	**36,337**	**40,974**	**47,418**	**55,585**
Net Admissible Assets less Liabilities (Basic Own Funds)	**-22,716**	**-23,737**	**14,001**	**29,690**
Subordinated Liabilities	0	0	100,000	100,000
Total Subordinated Liabilities (Limited)	0	0	85,999	70,310
Total Basic Own Funds (TBOF)	**-22,716**	**-23,737**	**100,000**	**100,000**
MCR Solvency Margin - Surplus/(Deficit) (ie TBOF - MCR)	**-122,716**	**-123,737**	**0**	**0**
SCR Solvency Margin - Surplus/(Deficit) (ie (TBOF+0.5*TAOF - SCR)	**-79,380**	**-80,651**	**40,787**	**38,788**
MGF Solvency Margin - Surplus/(Deficit) (ie (TBOF+0.5*TAOF - MGF)	**-59,052**	**-64,712**	**59,582**	**59,260**

Following the corrective actions set out above, the Company is expected to meet the MCR, SCR & MGF requirements in 2025.

3 Business

3.1 Legal structure

Insurance House P.J.S.C. (the "Company") is a public joint- stock company registered and incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is engaged in providing all classes of non-life insurance solutions in accordance with Federal Decree Law No. (48) of 2023 Regulating Insurance Activities (previously Federal Law No. 6 of 2007, as amended).

The Company was established on 8 December 2010. The Company performs its activities through its head office in Abu Dhabi and branches located in Al Samha, Dubai – Sheikh Zayed Road, Sharjah, Mahawi and Motor World. The company is subject to the regulations of the U.A.E. Federal Decree Law No. (48) of 2023 (previously Federal Law No. 6 of 2007, as amended), issued by the Central Bank of UAE and is registered in the Insurance Companies Register of the Central Bank of the UAE, under registration number 089. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange. The registered office of the Company is P.O. Box: 129921, Abu Dhabi, United Arab Emirates.

3.2 Core Business Lines

The range of products and services offered by the Company include but is not limited to Motor, Property and Casualty, Engineering, Energy, Marine, Personal, Health and Aviation.

3.3 Business model

The business model of IH is built around providing insurance products that cover property and liability risks such as property, motor, marine and liability as well as providing health insurance products. Key elements of this model include:

3.3.1 Risk Pooling and Underwriting

IH pools premiums from policyholders, which are used to pay claims when insured events occur. Underwriting is the process of assessing the risks associated with insuring a particular individual or asset and determining the premium for coverage.

3.3.2 Revenue Generation

IH generates revenue from:

- Premiums: The primary source of revenue, collected from policyholders in exchange for coverage.
- Investment Income: Premiums are invested in bonds, real estate, equities, and other instruments to generate returns. Given the UAE's regulatory framework, IH has conservative asset allocation.

3.3.3 Claims Management

Efficient claims management is essential. IH focuses on fast and fair settlements to maintain customer trust and avoid reputation damage. This involves verifying claims, assessing damages, and determining payouts.

3.3.4 Regulation and Compliance

The UAE's insurance industry is regulated by the Central Bank of the UAE. IH strives to comply with the solvency, capital adequacy, and reporting requirements, ensuring it can meet future obligations.

3.3.5 Distribution Channels

IH uses multiple distribution channels, including:

- Agents and Brokers

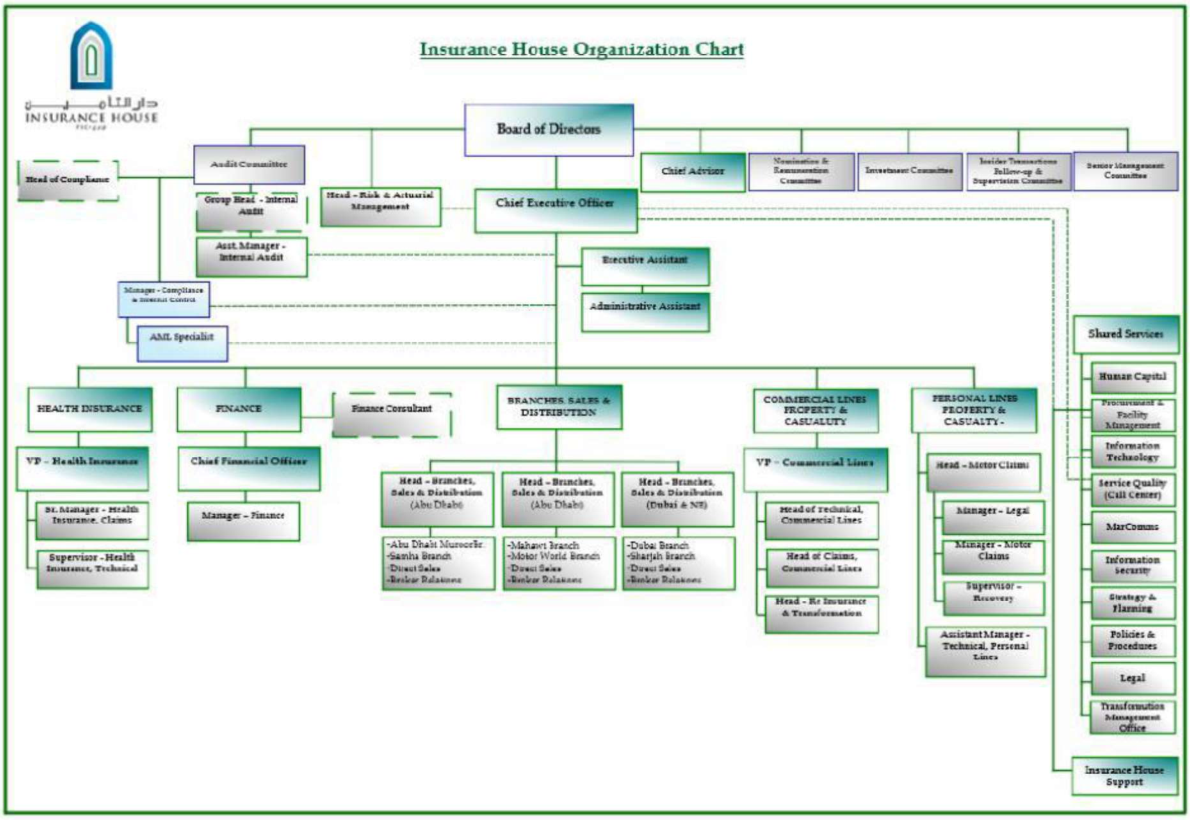
- Direct Sales
- Corporate Partnerships

3.3.6 *Reinsurance*

Due to the exposure to certain high-risk areas, IH works closely with reinsurers. This helps the company to reduce risk exposure and manage large-scale claims.

3.4 Critical Functions

IH organisational structure is shown below:



Below is an outline of the responsibilities of the critical functions:

3.4.1 *CEO (Chief Executive Officer)*

- Strategic Leadership: Set the overall direction and vision for IH, ensuring alignment with regulatory requirements and market trends in the UAE.
- Corporate Governance: Ensure compliance with corporate governance regulations as set by the UAE's insurance regulator.
- Stakeholder Management: Build and maintain relationships with key stakeholders, including shareholders, regulators, and customers.
- Financial Performance: Oversee the company's financial health and profitability, focusing on long-term value creation.
- Decision Making: Make high-level decisions on operational and strategic initiatives, product development, and partnerships.
- Risk Oversight: Oversee risk management practices, ensuring a balance between growth opportunities and risk exposure.

3.4.2 *CFO (Chief Financial Officer)*

- Financial Reporting: Oversee financial reporting in compliance with UAE regulations and international accounting standards (IFRS).
- Budgeting and Forecasting: Manage the budgeting process and ensure accurate financial forecasting for the company's operations.
- Solvency and Capital Management: Ensure IH meets the solvency and capital requirements set by UAE regulatory authorities.
- Financial Risk Management: Assess and manage financial risks, including liquidity, currency, and investment risks.
- Investment Oversight: Supervise the company's investment strategies and ensure they align with regulatory guidelines.
- Tax Compliance: Ensure proper tax planning and compliance with UAE tax laws.

3.4.3 *Internal Audit*

- Control Assessments: Regularly review and assess the effectiveness of internal controls, risk management, and governance processes.
- Audit Reports: Prepare and present audit reports to senior management and the board, highlighting any issues or non-compliance.
- Regulatory Compliance: Ensure the company adheres to local insurance regulations and internal policies.
- Fraud Detection: Identify and investigate any potential fraud, misconduct, or inefficiencies within the organization.
- Risk-Based Auditing: Focus on high-risk areas within IH, ensuring proactive mitigation of potential risks.

3.4.4 *Compliance*

- Regulatory Adherence: Ensure IH complies with the CBUAE's regulations, as well as relevant laws such as Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT).
- Policy Development: Develop and maintain internal compliance policies to ensure ethical conduct and regulatory compliance.
- Training: Provide ongoing training to employees on regulatory requirements and internal compliance policies.
- Monitoring and Reporting: Continuously monitor compliance processes and report any breaches or concerns to the board and regulators.

3.4.5 *Risk Management*

- Risk Identification and Assessment: Identify, evaluate, and prioritize potential risks, including underwriting, operational, financial, and market risks.
- Risk Mitigation: Develop and implement strategies to mitigate identified risks, ensuring they align with IH's risk appetite.
- Risk Reporting: Provide regular risk reports to senior management and the board, keeping them informed about the company's risk profile.
- ERM Framework: Implement and maintain an Enterprise Risk Management (ERM) framework that aligns with regulatory standards.
- Regulatory Compliance: Ensure IH meets the UAE Insurance Authority's risk management regulations and guidelines.

3.4.6 Actuary

- Pricing: Develop and implement pricing models to ensure premiums are adequate to cover future claims and expenses.
- Reserving: Estimate the necessary reserves to cover current and future claims, ensuring compliance with solvency requirements.
- Risk Modelling: Use actuarial models to assess risks and forecast future claims costs and cash flow needs.
- Product Development: Support product development with actuarial analysis, ensuring new products are financially viable and meet customer needs.
- Solvency Assessment: Assist in evaluating the company's solvency position, working with the CFO and Risk Management.

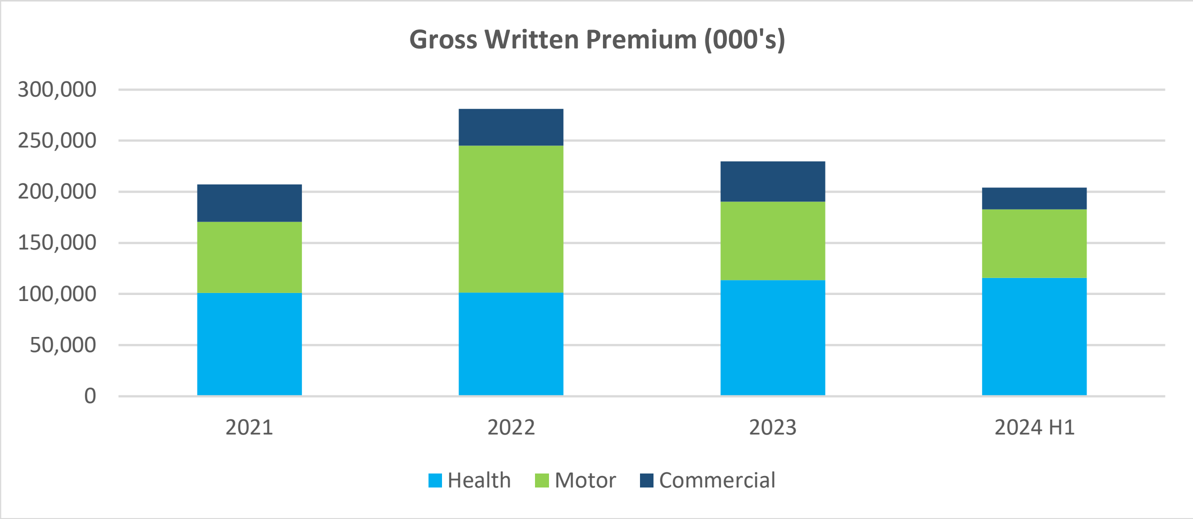
3.4.7 Claims Department

- Claims Processing: Handle and process claims efficiently, ensuring timely payments to policyholders in accordance with IH's policies.
- Fraud Prevention: Identify potential fraud in claims submissions and take appropriate action.
- Customer Service: Provide excellent service to policyholders during the claims process, maintaining IH's reputation.
- Claims Analysis: Analyse claims data to identify trends, patterns, and potential issues, supporting better risk management and underwriting.

3.4.8 Underwriting Department

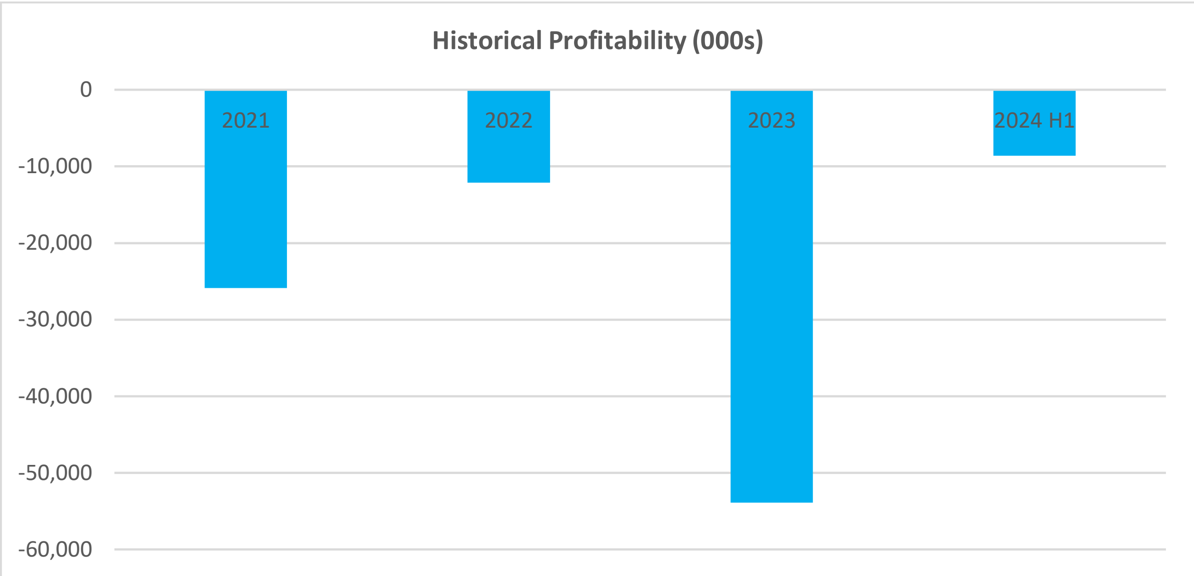
- Risk Assessment: Assess and evaluate insurance applications to determine the level of risk and whether to accept or reject the policy.
- Pricing: Work closely with the actuarial team to ensure proper pricing of insurance products based on risk levels.
- Policy Issuance: Issue policies in line with IH's underwriting guidelines and regulatory requirements.
- Portfolio Management: Monitor and manage the overall insurance portfolio to maintain a balance between profitability and risk exposure.
- Continuous Review: Review and update underwriting guidelines to reflect changes in market conditions and regulatory requirements.

3.5 Key financial operations and characteristics

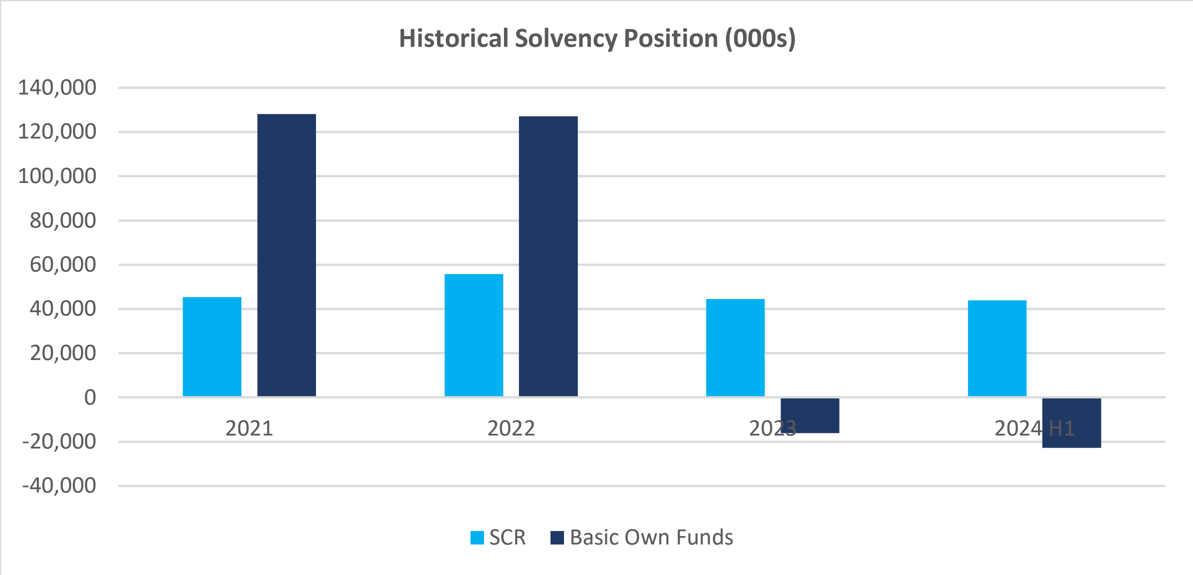


Motor business has exhibited a material deterioration due to inadequate pricing leading to lower premium rates during 2022 and the first half of 2023 and hence a deterioration in performance up to the first half of 2024.

Health and commercial lines have remained broadly stable over the years.



Poor underwriting performance and high-cost base have been the main factors that have adversely impacted the Company's aggregate profitability. 2023 has been the worst performing year (AED 54mil loss), the biggest contributor of which were the underwriting losses in Medical and Motor business. In response to these challenges, the Company has implemented a series of strategic measures aimed at improving its financial resilience. These measures are set out in detail in Section 7 of this report.



The Company's own funds in 2023 and 2024 H1 suffered from significant losses from insurance operations, financial reporting and control issues as well as the increased competition in the UAE motor market and the softening of the underwriting cycle during 2021-2022.

The SCR has remained broadly stable over the years.

The Company has taken immediate steps to significantly improve its liquidity position through selective disposal of investment assets as well as to improve its solvency position through improving the asset admissibility. Further details around the Company's recovery options and preparatory arrangements are included in Section 7.

4 System of Governance

The System of Governance for the Recovery Plan of Insurance House is an integral part of the broader corporate governance framework. It ensures that the governance aspects of the Recovery Plan are aligned with the company's existing policies, processes, and regulatory obligations.

The governance framework for the Recovery Plan includes clear roles and responsibilities for the Board of Directors, senior management, and key operational teams. The Board is responsible for overseeing the development and implementation of the Recovery Plan, ensuring that it is regularly reviewed and updated in response to changes in the business environment or regulatory requirements. Senior management is tasked with executing the plan and ensuring that the necessary processes and resources are in place to respond effectively to financial or operational distress.

The Recovery Plan is also an integrated into the company's risk management framework, with clear escalation procedures, thresholds, and communication strategies in place to manage potential risks. This ensures that recovery actions are triggered at the appropriate time, minimizing disruption to the business and its customers. The governance structure also includes regular internal reviews and stress testing to assess the effectiveness of the plan, ensuring that it remains robust and relevant.

Additionally, the plan is consistent with the corporate governance principles set out by the UAE Central Bank and other relevant regulatory authorities. It aligns with the insurer's overall strategic objectives, policies, and processes, ensuring that it complements ongoing business continuity and crisis management efforts.

In summary, the governance system for the Recovery Plan is seamlessly integrated into the IH's overall governance framework, enhancing its resilience and ability to respond to financial challenges while adhering to regulatory standards in the UAE.

5 Risk Management Framework

5.1 Risk Management Policy

Risk management is a continuous process used in the implementation of the Company's overall strategy and allows an appropriate understanding of the nature and significance of the risks to which it is exposed, including its sensitivity to those risks and its ability to mitigate them. The Risk Management Policy of Insurance House describes the Risk Appetite of the Company, the processes for implementing the Risk Management System and the respective Roles and Responsibilities.

5.2 Risk Appetite

Insurance House P.S.C (IH) Risk Appetite Framework and Policy (RAF) is based on "Principles for an Effective Risk Appetite Framework" a conceptual document developed (on the 17th of July 2013) by the Financial Stability Board (FSB) and "Guidance Paper on Enterprise Risk Management for Capital Adequacy and Solvency Purposes" developed (on October 2007) by IAIS.

The Risk appetite framework describes the risk that IH as an organisation is willing to take in order to meet its strategic business objectives. It includes both the amount and type of Risk.

5.3 Risk Management System

The Risk Management System ("RMS") of Insurance House as described in its Risk Management Policy encompasses a number of key processes and procedures which address the Company's key risks. These steps are summarised below:

- Risk identification: Risks are identified and documented in the Risk Register. Risk and control owners are assigned to each risk to ensure accountability for managing all material risks and the related controls.
- Risk assessment: Risk exposure is then assessed on a gross basis (inherent risk) and on a net basis (residual risk) on established risk metrics.
- Risk control and mitigation: The Company designs and implements controls to prevent or detect the occurrence of an identified risk event or to mitigate its severity. The Company's control activities are documented in the Risk Register and the procedure manual.
- Risk monitoring: At least once a year, net risks are compared to the stated risk tolerance levels and the Risk Register is formally reviewed by the Risk Management Function. Moreover, the Risk Management Function runs stress and scenario tests.

5.4 Risk Reporting

Annual Risk Reporting

In accordance with the Risk Management Policy, the Risk Management reports to the BoD annually on its assessment of material risks and the management thereof, in particular the actions being taken to mitigate or control key risk exposures.

Upon approval of the Risk Appetite Statement, risk reporting will compare net risk exposures with risk tolerance levels.

6 Solvency Assessment as at 30/06/2024

6.1 Main Risks

Risk exposures are measured through the Value at Risk or through a frequency/severity approach and are summarized in the table below with reference date 30.06.2024:

Category	Sub-Category	Residual Risk Exposure	Risk Value 2024Q2 AED 000's
Counterparty Default Risk	-	High	30,533
Non-Life Underwriting Risk	**Premium and Reserve Risk**	High	15,947
Operational Risk	**Business Interruption**	High	12,758
Health Underwriting Risk	**Premium and Reserve Risk**	Medium	5,526
Market Risk	**Concentration Risk**	Medium	3,354
Non-Life Underwriting Risk	**CAT Risk**	Medium	2,518
Health Underwriting Risk	**CAT Risk**	Medium	1,537
Lapse Risk	-	Low	380
Market Risk	**Currency**	Low	119
Market Risk	**Equity**	Low	43

The most significant risk to which the Company is exposed to is Counterparty Default risk which is mainly driven by the Insurance and Reinsurance receivables. Specifically, the Company's exposure as at 2024 H1 is AED 167m (split between 28m Receivables from Salvage and Subrogation and 128m Insurance). The Company is actively taking actions to mitigate this risk by enhancing the admissibility of previously inadmissible assets. These actions include the improvement of the Company's collection process which will improve the admissibility of receivables and recoveries from salvages and subrogation.

The Company is also mainly exposed to Underwriting risk driven by the premium and reserves risk which are calculated as a percentage of Written Premiums and Technical Provisions, respectively. Similarly, the Company's Operational Risk is mainly driven by Gross Earned Premiums and Technical Provisions for the current and prior year.

6.2 Solvency Assessment and Available Capital

The table below represents the Solvency Capital Requirements for Insurance House as at 30 June 2024. The SCR and MCR have been calculated in accordance with the CBUAE. The solvency assessment for the prior years is also included for comparison purposes.

Category	Solvency Position AED '000					
Basic Solvency Capital Required (BSCR)	**YE2019**	**YE2020**	**YE2021**	**YE2022**	**YE 2023**	**2024Q2**
Capital Requirement for Premium & Reserve Risk	13,841	12,139	9,161	12,443	12,164	15,947
Capital Requirement for Catastrophe Risk	2,279	1,972	1,466	1,916	1,726	2,518
Capital Requirement for Lapse Risk	10,805	8,909	3,494	790	428	380
Diversification effects	-8,779	-7,445	-3,874	-2,071	-1,605	-2,086
Underwriting Risk - Property and Liability Insurance	**18,146**	**15,575**	**10,246**	**13,078**	**12,714**	**16,759**
Capital Requirement for Premium & Reserve Risk	2,869	2,835	3,316	3,593	3,632	5,526
Capital Requirement for Catastrophe Risk	1,147	972	1,314	1,488	1,039	1,537
Capital Requirement for Lapse Risk	23	2,198	7,116	7,148	0	0
Diversification effects	-694	-2,107	-3,651	-3,929	-651	-968
Underwriting Risk - Health Insurance	**3,346**	**3,898**	**8,095**	**8,300**	**4,020**	**6,095**
Capital Requirement for Interest Rate Shocks	126	148	717	1,157	232	0
Capital Requirement for Real Estate Shocks	0	0	0	0	0	0
Capital Requirement for Equity Shocks	12,260	9,815	8,436	6,653	81	43
Capital Requirement for Spread	0	0	0	0	0	0
Capital Requirement for Concentration	6,624	7,596	7,614	4,884	3,148	3,354
Capital Requirement for Currency Risk	1,249	580	436	239	254	119
Diversification effects	-5,940	-5,540	-5,460	-4,093	-538	-159
Investment Risk	**14,319**	**12,599**	**11,743**	**8,840**	**3,177**	**3,357**
Capital Requirement for Reinsurance Recoverables	12	11	19	37	34	146
Capital Requirement for Derivatives	0	0	0	0	0	0
Capital Requirements for Cash at Banks and Deposits	3,129	3,672	2,812	2,335	1,577	1,593
Capital Requirement for Asset	31,070	32,085	20,680	29,027	23,835	30,483
Diversification effects	-2,983	-3,472	-2,639	-2,275	-1,557	-1,689
Credit Risk	**31,228**	**32,296**	**20,873**	**29,123**	**23,889**	**30,533**
Undiversified Basic Solvency Capital Requirement	**67,040**	**64,368**	**50,957**	**59,342**	**43,799**	**56,743**
Diversification effects	-18,181	-16,897	-16,136	-16,524	-9,819	-12,837
Basic Solvency Capital Required (BSCR)	**48,859**	**47,471**	**34,821**	**42,818**	**33,980**	**43,906**
Operational Risk	11,633	11,858	10,582	12,934	10,523	12,758
Solvency Capital Requirement (SCR)	**60,492**	**59,329**	**45,403**	**55,752**	**44,503**	**56,665**
Minimum Guarantee Fund (MGF)	**40,610**	**39,045**	**34,952**	**36,938**	**31,683**	**36,337**
Minimum Capital Requirements (MCR)	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**
Net Admissible Assets less Liabilities	**117,427**	**126,025**	**128,160**	**127,069**	**-15,553**	**-22,716**
MCR Solvency Ratio	**117%**	**126%**	**128%**	**127%**	**-16%**	**-23%**
SCR Solvency Ratio	**194%**	**212%**	**282%**	**228%**	**-35%**	**-40%**
MGF Solvency Ratio	**289%**	**323%**	**367%**	**344%**	**-49%**	**-63%**

In the Solvency assessment performed with reference date 30/06/2024 the solvency capital requirement stood at AED 56.7m. The Company's own funds (Assets less Liabilities) under the Solvency II basis, available to cover the MCR, amounted to negative AED 22.7m resulting in the Company falling short of the regulatory requirements in this regard.

6.3 Causes of Solvency Deficit

The accumulated losses over the period have depleted the funds to the point where the Company is unable to meet the regulatory solvency requirements. As at 30 June 2024, the MCR solvency deficit amounts to AED 122.7M.

Below are the key reasons for the solvency deficit:

- Financial reporting and control issues
  - There were issues in the preparation of Medical financials and incorrect recording of reinsurance premiums and claims which resulted in misleading results declared between 2020-2022.
  - The 2020-2022 Medical financials were restated in March 2023 to reflect the true and fair position. This resulted in a shortfall of c AED 65m in the net admissible assets when compared to the Minimum Capital Requirement of AED 100m
- Underwriting losses mainly driven by the Medical and Motor portfolios during 2023 and the first half of 2024.
  - Medical losses are driven by high loss and expense ratios.
  - Motor losses are driven by inadequate pricing leading to lower premium rates during 2022 and the first half of 2023 and hence a deterioration in performance up to the first half of 2024.
- Increased competition in the UAE Motor market and softening in the underwriting cycle during 2021-2022.
- These issues were assessed in 2023 H1 and 2023 H2 and relevant reports have been shared with CBUAE highlighting the issues and the recovery plan. This report is a follow-up to the reports shared in 2023.

7 Recovery Options and Preparatory arrangements

The Company has outlined the following key actions to address its solvency deficit by increasing Total Basic Own Funds, which include Basic Own Funds and Subordinated Liabilities. The actions are as follows:

- Increasing Admissible Assets: This will involve enhancing the admissibility of previously inadmissible assets by improving the collection process and thus the admissibility of receivables and recoveries from salvages and subrogation.
- Raising Fresh Capital: This is to improve solvency and liquidity for servicing existing liabilities. The current solvency shortfall is approximately AED 122.7 million, driven by the Minimum Capital Requirement (MCR). The main focus over the short term is to meet the SCR needs by increasing admissible assets less liabilities, inject fresh Tier 1 Capital and secure Subordinated Liabilities by way of a Key Shareholder Guarantee. Over the medium term, through retained earnings, the Company plans to increase the Basic Own Funds and cover the MCR.

The Company plans to raise capital through the following ways.

- Raise AED 25M in Tier 1 capital within 90 days of CBUAE approval.
- Issue a letter of Guarantee by the key shareholder of AED 100M. The Shareholder Guarantee will be triggered if and when the Net Admissible Assets fall below the level of Net Admissible Assets as at 30 September 2024. If such an event occurs, then the IH Shareholders will be required to inject the amount of shortfall and restore the Net Admissible Assets to the level of Net Admissible Assets as at 30 September 2024. Any such Capital increase shall be by way of a Rights issue of additional capital, duly underwritten by the Key Shareholder.

Both the above actions are subject to formal approval from the Shareholders of the Key Shareholder viz. Finance House PJSC, post obtaining approval of CBUAE for this recovery plan as proposed herein.

The Solvency Position Projections illustrated in the table below are based on the assumption that CBUAE will accept the Key Shareholder Guarantee as “Subordinated Liability under Basic Own Funds”.

7.1 Timeline of Actions and Assigned Project Team

The timeline to raise capital and improve the admissibility of the assets is shown in the table below.

INITIATIVE	PROJECT TEAM DEPARTMENT LEVEL	EXPECTED TIMELINES FOR COMPLETION
RAISING FRESH CAPITAL		
Improving admissibility of inadmissible assets through asset allocation changes	Finance Team and Investment Manager	2025
Raise Tier 1 Capital	Finance Team, Legal advisors and Investment Manager	3 months from date of CBUAE approval of plan
Subordinated Liabilities by means of letter of Guarantee by the shareholder	Finance Team, Legal advisors and Investment Manager	3 months from date of CBUAE approval of plan

The Company expects to achieve full compliance with the above within 3 months after the approval of solvency recovery plan (as proposed herein) from the CBUAE, and subject to formal approval from the Shareholders of Finance House PJSC.

7.2 Business Strategy

In addition to the above capital changes, the Company is also planning to take necessary actions and bring improvement in operations and internal controls. These actions are as under:

- **Further Developing the new strategy for Motor and Medical insurance:** The Company will work to ensure that its prices are competitive and that it is not losing money on each policy. The company can do this by incorporating technical pricing and implementing better segmentation of risk. Key initiatives include:
  - Move to a segmented tariff from a fixed rate on Motor
  - Improvement on the motor portal (UW guidelines and authority control)
  - Regular monitoring of performance
  - Business Support Unit to react faster in market condition of aggressive price competition
  - Growth in the Medical portfolio will be driven by a sustainable pricing structure and with a focus on SME groups.
- **Developing a sustainable reinsurance structure** that provides for protection from adverse events and supports on pricing.
- **Improving Distribution Strategy:** The Company has seen a significant increase in Motor commission expenses in the recent past leading to an overall increase in expense ratios. In order to further reduce this cost, the Company will focus on Club Brokers initiative and build an omni-channel platform to improve onboarding and client retention while reducing the acquisition costs associated with brokers.
- **Growing Commercial Lines:** The Company will focus on growing the profitable commercial lines business through the following initiatives:
  - Growing engineering clients
  - Assess & launch new products such as D&O and Cyber
  - Target SME market for Property, Financial Lines and Liability.
- **Reduce Costs:** The company will work to identify areas where it can reduce its costs, such as by negotiating better rates with suppliers or by streamlining its operations. The company can negotiate better rates with suppliers by comparing quotes from multiple garages and by negotiating volume discounts in Medical care. The company can streamline its operations by automating tasks, identifying key areas of discrepancy, and consolidating departments. Key initiatives planned within this include:
  - Partnership with Copart for salvage management and control
  - Reducing repair network for motor with a focus on lowering average cost per claim
  - Proactive bodily injury management through out of court settlement
  - Automated processes for cost control, superior customer service and anti-fraud management
- **Invest in Digitalisation:** The company will invest in new technology in order to streamline its operations and improve its efficiency. Initiatives planned include:
  - Omni Channel Support (Live Chat, Social Media, Email, Voice & Video Support)
  - Digital Platform for lead generation & business development (WhatsApp based)
  - Better sales journey for motor fleet sales
  - Focused marketing
  - Managing renewals through club broker initiative
  - Simplify Medical: Easy submission, quote and renewal.

- **Improve Internal Policies & Procedures:** The Company will focus on automation and better data collection to reduce the operational errors that led to the restatement of the financial statements.
- **Expand Product Range:** The company will expand its product range in order to appeal to a wider range of customers. The company will expand its product range by offering new types of personal lines insurance, such as Personal Accident, Home Insurance, Travel & Plus products. The company will also offer new features and benefits to increase ticket size on existing products.

7.3 Company Policies and Operating Procedures

- **Monitor Performance:** The Company will set up a dedicated function towards portfolio monitoring and analysis that focuses on actuarial analysis, claims benchmarking, pricing segmentation, retention analysis and distribution metrics.
- **Improve customer service:** The company will focus on providing excellent customer service in order to retain existing customers and attract new ones. The company will do this by making it easy for customers to contact the company, by responding to customer inquiries promptly, and by resolving customer problems quickly and efficiently.
- **Invest in employee training.** The company will invest in employee training and retention in order to improve its customer service and efficiency. The company will provide training on new products and services, customer service best practices, and technology.
- **Create a culture of innovation.** The company will work to create a culture of innovation in order to stay ahead of the competition. This will be done by encouraging employees to come up with new ideas, rewarding employees for their innovations, and investing in research and development.

Expected timelines for completion of the plan and the teams involved are listed below.

INITIATIVE	PROJECT TEAM DEPARTMENT LEVEL	EXPECTED TIMELINES FOR COMPLETION
BUSINESS - MOTOR STRATEGY		
Motor Underwriting Strategy	Actuary and Motor Underwriting Team	Implemented and ongoing
Improve Motor Renewals	Actuary and Motor Underwriting Team	Implemented and ongoing
Motor Claims Management	Motor Claims Department	Implemented and ongoing
S&D and Others (Customer Service, Products, and Reporting Capabilities)	Motor Department, Distribution & Management	Implemented and ongoing
BUSINESS - MEDICAL STRATEGY		
Medical Underwriting Strategy	Actuary and Medical Underwriting Team	Implemented and ongoing
Improve Medical Renewals	Actuary and Medical Underwriting Team	Implemented and ongoing
Medical Claims Management	Medical Claims Department	Implemented and ongoing
S&D and Others (Customer Service, Products, and Reporting Capabilities)	Medical Department, Distribution & Management	Implemented and ongoing
BUSINESS – REINSURANCE TREATY SETUP		
Improve Motor	Motor Team & Reinsurance Team	Implemented and ongoing

New treaty of Individual Medical	Medical Team & Reinsurance Team	Implemented and ongoing
Less dependency on QS and improve XOL for Motor	Motor Team & Reinsurance Team	Implemented and ongoing
BUSINESS – DISTRIBUTION STRATEGY		
New Operating Model	Business Distribution Team	Completed
Restructuring teams: 5 Units	Business Distribution Team	Completed
Launch of Elite Broker Club	Business Distribution Team	Completed
Partnerships	Business Distribution Team	Completed
BUSINESS – GROW COMMERCIAL LINES		
New Operating Model	Business Distribution & CL Team	Completed
Distribution Channels	Business Distribution & CL Team	Completed
Launch of Elite Broker Club	Business Distribution & CL Team	Completed
Empower Dubai and Northern emirates UW team	Business Distribution & CL Team	Completed
Digital Transformation	CL & Project Team	Implemented and ongoing
Build Team capability / set objectives for direct team and unit /run guidance unit	Commercial Lines, Management & HR	Completed
BUSINESS - REDUCING COST		
Reduction in Branch expenses	HR, General Service & Finance Team	Ongoing
Reduction in Office Rent	HR, General Service & Finance Team	Ongoing
Reduction in Manpower Cost	HR, Finance Team & Management	Ongoing
Reduction in manpower cost by outsourcing	Finance Team & Management	Ongoing
Reduction in office expenses	Finance Team	Ongoing
Reduction in bank charges	Finance Team	Ongoing
Professional Fees	Finance Team	Ongoing
DIGITIZATION AND TRANSFORMATION		
Insurance Core System	Core Project Team	Ongoing
Salvage recovery management and the online auctions	Motor Claims Team, Management	Implemented and ongoing
SME tool for Medical	Medical &Reinsurance Team, Management	Completed
Motor portal phase2 (the technology driven partnerships)	Motor Team,BA,IT	Completed
Qlick Sense	Qlick Sense Project Team	Completed
IMPROVE INTERNAL POLICIES		
New Operating Model	Internal Policies & Procedures Team	Completed
Motor Claims guidelines	Motor Claims Team, Management	Completed
Motor Underwriting guidelines	Motor Underwriting Team, Management	Completed
Reinsurance guidelines	Reinsurance Team, Management	Completed
Customer Service and Compliant Management		Ongoing
Incoming Calls Management		Ongoing

CULTURE TRANSFORMATION		
New operating model (Talent acquisition)	Talent acquisition Team	Implemented and ongoing
Goal Setting & Performance Review	HR Team, Management	Ongoing
Accelerated Talent Program	Talent acquisition Team	Ongoing
Efficient Communication	HR Team, Management	Ongoing

7.4 Material changes since the most recent recovery plan

Since the most recent Business Plan, the Company has taken corrective actions to improve the performance of its portfolio with the main focus directed to the Motor lines of business.

This is better illustrated in the Motor trend analysis performed as of 2024 Q3:

	GWP	No of Policies	Earned Policies	Earned Premiums	No of Claims	Gross LR	Net LR
Full Year 2021	67,160,000	85,230	85,170	67,160,000	12,350	100.51%	100.51%
Full Year 2022	142,800,000	224,600	224,600	142,800,000	26,970	122.69%	122.62%
Full Year 2023	75,330,000	65,390	62,000	71,380,000	9,460	107.10%	86.65%
YTD - 30 Sept 2024	95,510,000	54,050	20,270	33,980,000	3,890	89.20%	70.95%

- GWP has increased by 65% and the number of policies increased by 8% when comparing 2024 with same point in 2023. This is mainly driven by the change in mix for Motor Comprehensive business.
- Average Premium for Motor third party increased by 63% and 29% as of 2024 Q3 when compared to 2022 and 2023, respectively.
- Average Premium for Motor comprehensive regular increased by 78% and 27% as of 2024 Q3 when compared to 2022 and 2023, respectively.
- Average Premium for Motor comprehensive HVV increased by 27% and 35% as of 2024 Q3 when compared to 2022 and 2023, respectively.
- The number of claims as of 2024 Q3 is down by 58% and 85% when compared with the full year 2022 and 2023, respectively.
- The Net Loss Ratio as of 2024 Q3 improved by 51% and 16% compared to the full year 2022 and 2023, respectively.

8 Three-year outlook and Capital Planning

8.1 Methodology

A forecasting attempt was made for all sources of income and outgo of the Company for the period 2024-2026 (prepared as at 30/06/2024). This enabled financial projections for the balance sheet of Insurance House. The calculation of the Solvency Capital Requirement was also repeated for each of these years, which remains lower than the MCR for the entire projection period.

The Company's position as at 30/06/2024 has been used as a starting point to our projections.

Explicit assumptions regarding the future growth of written premiums, future loss ratios, expenses and other income, based on the Company's main strategy and business plan have been taken into consideration and can be found in Appendix B. Additional assumptions have been made for the allocation of future retained profits to the various asset categories.

8.1.1 Profit and Loss Statement

The below table shows the actual and projected income statement by year.

CATEGORY	ACTUAL AND PROJECTED INCOME STATEMENT AED '000				
	2023 FY	2024 H1	2024 FY	2025 FY	2026 FY
Insurance contracts premium written	229,865	204,178	321,378	401,722	502,153
Less: Insurance premium ceded to reinsurers	106,069	86,105	135,529	171,317	214,146
Net Written Premiums	**123,796**	**118,072**	**185,849**	**230,405**	**288,007**
Movement in unearned premiums reserve	-2,790	-42,349	-28,784	-19,857	-26,296
Net Earned Premiums	**121,006**	**75,724**	**157,065**	**210,548**	**261,711**
Commission income earned	13,967	9,326	14,588	17,974	22,060
Commission expense incurred	-36,555	-14,449	-30,918	-36,227	-42,814
Total Underwriting Income	**98,418**	**70,601**	**140,735**	**192,296**	**240,958**
Claims paid	220,184	120,429	178,060	425,671	347,559
Less: reinsurance claims paid	113,998	53,440	66,661	277,940	188,623
Net Claims Paid	**106,186**	**66,989**	**111,399**	**147,731**	**158,935**
Movement in outstanding claims	2,404	39,980	29,145	26,506	26,836
Movement in RI share of outstanding claims	-340	-45,281	-24,944	-43,015	-21,289
Movement in incurred but not reported claims	2,816	-5,021	-6,957	4,736	4,795
Increase in PDR	4,336	-2,107	-4,905	0	0
Movement in ULAE	-125.491	570	201	903	914
Net Claims Incurred	**115,276**	**55,129**	**103,939**	**136,861**	**170,191**
Total Underwriting Expenses	**14,352**	**5,729**	**10,844**	**13,509**	**16,887**

Net Underwriting Income	**-31,210**	**9,743**	**25,952**	**41,926**	**53,880**
Investment income	3,780	837	1,792	3,750	4,250
Other Income and expenses	-26,472	-19,194	-37,977	-35,503	-38,015
PROFIT/(LOSS) FOR THE YEAR	**-53,903**	**-8,614**	**-10,234**	**10,173**	**20,115**
Ratios					
GWP Growth Rate	-	-11%	57%	25%	25%
Retention Ratio[1]	54%	58%	58%	57%	57%
Net Incurred LR[2]	95%	73%	66%	65%	65%
Net Commission Ratio[3]	-19%	-7%	-10%	-9%	-8%
Expense Ratio[4]	22%	25%	24%	17%	15%
Net Profit / (Loss) Ratio[5]	-45%	-11%	-7%	5%	8%

1. *Calculated as (Net Written Premiums) / (Gross Written Premiums)*
2. *Calculated as (Net Incurred Claims) / (Net Earned Premiums)*
3. *Calculated as (Commission Expense + Commission Income) / (Net Earned Premiums)*
4. *Calculated as (Other Income & Expenses) / (Net Earned Premiums)*
5. *Calculated as (Profit or Loss) / (Net Earned Premiums)*

From the above, we make the following key observations:

- The portfolio GWP is expected to increase from AED 204M to AED 322M (57%) from 2024H1 to 2024FY. GWP is driven predominantly by Medical, which accounts for approximately 50% of the Company's portfolio GWP for 2024.
- The expected Retention Ratio for 2024 is 58%, 2025 is 57%, 2026 is 57%. This remains to be stable over the years.
- The Net Incurred Loss Ratio is expected to reduce to an average 65% from 2024-2026 as a result of a reduction in Motor Loss Ratio.
- The Commission Expense paid is expected to exceed the commission income received. The Net Commission Expense Ratio is expected to increase from 7% in 2024 H1 to 10% in 2024 FY. This is projected to be reduced to 8% in 2026.
- The 2024 Expense Ratio is expected to be 24% and expected to drop to 17% in 2025 and 15% in 2026.
- The 2024 full year Net Profit / (Loss) Ratio is expected to be (7)%. This has substantially decreased from (45)% in 2023 and (11)% in 2024 H1. The Net Profit / (Loss) Ratio is expected to reach positive levels in 2025 (5%) and 2026 (8%).

8.1.2 Balance Sheet

CATEGORY	ACTUAL AND PROJECTED BALANCE SHEET AED '000				
	2023 FY	2024 H1	2024 FY	2025 FY	2026 FY
Property and equipment	7,720	6,671	6,671	6,671	6,671
Equity Instruments within UAE	2,812	317	317	317	317
Equity Instruments outside UAE	1,346	1,191	1,191	1,191	1,191
Right-of-use asset	0	0	0	0	0
Total Non-Current Assets	**11,878**	**8,180**	**8,180**	**8,180**	**8,180**
Reinsurance Contract Assets	79,655	152,152	113,362	173,788	214,733
Reinsurance receivables	47,777	38,742	38,742	38,742	38,742
Insurance receivables	62,539	127,775	118,831	141,112	158,751
Other receivables and pre-payments	34,157	8,904	8,904	8,904	8,904
DAC	23,630	25,796	20,644	20,634	22,684
Government Securities / Instruments within UAE	0	0	0	0	0
Loans, Deposits and Other Instruments that are A Rated	0	0	0	0	0
Statutory deposit	6,000	6,000	6,000	6,000	6,000
Other invested assets	6,950	6,950	6,950	6,950	6,950
Cash & Cash equivalents	37,780	38,153	41,464	63,353	101,330
Total Current Assets	**298,488**	**404,472**	**354,896**	**459,482**	**558,093**
TOTAL ASSETS	**310,366**	**412,651**	**363,076**	**467,661**	**566,273**
Retirement benefits	2,531	2,665	2,665	2,665	2,665
Lease liability	0	0	0	0	0
Total non-current liabilities	**2,531**	**2,665**	**2,665**	**2,665**	**2,665**
Insurance contract liabilities	193,284	296,270	248,314	317,728	396,224
Insurance and other payables	97,866	106,433	106,433	106,433	106,433
Due to related parties	0	0	0	0	0
Total Current Liabilities	**291,150**	**402,703**	**354,747**	**424,160**	**502,657**
TOTAL LIABILITIES	**293,681**	**405,368**	**357,412**	**426,825**	**505,321**
Share Capital	118,781	118,781	118,781	143,781	143,781
Tier 1 Capital	15,000	15,000	15,000	15,000	15,000
Treasury Shares	-4,660	-4,660	-4,660	-4,660	-4,660
Retained Earnings	-121,290	-130,175	-131,795	-121,622	-101,507
BoD proposed remuneration	0	0	0	0	0
Reinsurance reserve	0	0	0	0	0
Investment revaluation reserve	-6	-522	-522	-522	-522
Legal reserve	8,861	8,861	8,861	8,861	8,861
TOTAL SHAREHOLDERS' EQUITY	**16,685**	**7,284**	**5,664**	**40,837**	**60,952**
TOTAL EQUITY AND LIABILITIES	**360,166**	**412,651**	**363,076**	**467,661**	**566,273**

From the above, we make the following key observations:

- The total assets are projected at AED 363M by YE 2024 compared to AED 413M in 2024 H1. This decrease is mainly driven by the expected reduction in reinsurance recoverables. Total assets are projected to increase in 2025 and 2026 to AED 468m and AED 567m, respectively.
- The Shareholders' Equity is also projected to marginally reduce to AED 5.6M by YE 2024. However, it is expected to increase to AED 41M in 2025 and AED 61M in 2026 due to a combination of fresh capital injection and improved profitability.

8.1.3 Cashflow Statement

CATEGORY	ACTUAL AND PROJECTED CASHFLOW STATEMENT AED '000				
	2023 FY	2024 H1	2024 FY	2025 FY	2026 FY
Cashflow from Operating Activities	-1,630	734	1,519	-6,862	33,727
Movements in Working Capital	0	0	0	25,000	0
Cashflow from Operations	**-1,630**	**734**	**1,519**	**18,138**	**33,727**
Cashflow from investing and financing activities	**-9,522**	**-361**	**1,792**	**3,750**	**4,250**
Net increase/decrease in cash & cash equivalents	**-11,151**	**374**	**3,311**	**21,888**	**37,977**
Opening Balance	**48,931**	**37,780**	**38,153**	**41,464**	**63,353**
Closing Balance	**37,780**	**38,153**	**41,464**	**63,353**	**101,330**

The Company's projected cashflow position appears healthy, especially after the Company raises capital in 2025 through the raise of AED 25M in Tier 1 capital, which will lead in an increase in cash & cash equivalents enabling the Company to settle claims.

It is important to highlight that throughout the turbulent period (2022 to Q1 2024), the Company has diligently worked to continuously improve its cash position and has met all its payment obligations in time.

8.2 Risk Capital Projections

The Company is planning to undertake several steps to increase the admissible assets and hence meet the regulatory solvency capital requirement.

The solvency projections are carried out on the UAE e-forms basis after incorporating the income statement and balance sheet projections shared by the Company.

The Table below shows the projection of the solvency position from 2024 H1 to YE 2026.

CATEGORY	ANNUAL SOLVENCY POSITION BY YEAR AED '000			
	2024 H1	2024 FY	2025 FY	2026 FY
Minimum Capital Requirement (MCR)	**100,000**	**100,000**	**100,000**	**100,000**
Underwriting Risk - Property and Liability Insurance	16,759	16,294	19,425	24,330
Underwriting Risk - Life Insurance	0	0	0	0
Underwriting Risk - Medical Insurance	6,095	6,202	7,787	9,728
Investment Risk	3,357	3,618	5,028	5,040
Credit Risk	30,533	29,959	34,232	37,713
Basic Solvency Capital Requirement (BSCR)	**43,906**	**43,140**	**50,387**	**57,921**
Operational Risk	12,758	13,774	15,826	18,137
Solvency Capital Requirements (SCR)	**56,665**	**56,914**	**66,214**	**76,057**
Minimum Guarantee Fund (MGF)	**36,337**	**40,974**	**47,418**	**55,585**
Net Admissible Assets less Liabilities (Basic Own Funds)	**-22,716**	**-23,737**	**14,001**	**29,690**
Subordinated Liabilities	0	0	100,000	100,000
Total Subordinated Liabilities (Limited)[1]	0	0	85,999	70,310
Total Basic Own Funds (TBOF)	**-22,716**	**-23,737**	**100,000**	**100,000**
MCR Solvency Margin - Surplus/(Deficit) (ie TBOF - MCR)	**-122,716**	**-123,737**	**0**	**0**
SCR Solvency Margin - Surplus/(Deficit) (ie (TBOF+0.5*TAOF - SCR)	**-79,380**	**-80,651**	**40,787**	**38,788**
MGF Solvency Margin - Surplus/(Deficit) (ie (TBOF+0.5*TAOF - MGF)	**-59,052**	**-64,712**	**59,582**	**59,260**

1. *Total Subordinated Liabilities (Limited) is calculated as the minimum of Subordinated Liabilities and MCR less Basic Own Funds.*

From the above, we make the following observations:

- The Company meets the solvency requirements after making the corrective actions as planned in the solvency recovery plan.
- The MCR is the highest solvency capital requirement that the Company has to meet as the SCR and MGF are lower than MCR of AED 100M due to lower volume of business.
- The Basic Own Funds will reach the MCR by YE2025 as a result of planned corrective actions.

- The Subordinated Liabilities of amount AED 100M will be received through a Shareholder Guarantee in 2025. This will increase the TBOF available to meet MCR of AED 100M.
- The SCR and MGF are lower than MCR and are adequately met.

9 Stress Testing

We have carried out the sensitivity analysis of the solvency projections on the following changes in assumptions:

Idiosyncratic Stress Scenarios

- Scenario 1: Decrease in projected business by 10%
- Scenario 2: Increase in loss ratio by 5% for all lines
- Scenario 3: Deterioration in asset admissibility
- Scenario 4: Credit Risk: Bank default resulting in 50% reduction in market value of bank with largest exposure in Insurance House's investment portfolio.

System-Wide Stress Scenarios

- Scenario 5: Storm event in 2025 resulting in two large claims
- Scenario 6: Reinsurance Default resulting to 50% loss of Recoverables for Motor business

Combined Scenarios

- Scenario 7: Scenario 3 and 5 combined

Additional Scenarios

- Scenario 8: Transfer 50% of insurance receivables in return of cash

9.1 Scenario 1

Under this scenario, the projected GWP for 2025 and 2026 is decreased by 10%. The results of Scenario 1 are as under:

ANNUAL SOLVENCY POSITION BY YEAR SCENARIO 1	AED '000			
	2024 H1	2024 FY	2025 FY	2026 FY
Minimum Capital Requirement (MCR)	100,000	100,000	100,000	100,000
Basic Solvency Capital Requirement (BSCR)	43,906	43,140	46,571	53,367
Solvency Capital Requirements (SCR)	56,665	56,914	61,175	70,053
Minimum Guarantee Fund (MGF)	36,337	40,974	41,919	49,269
Net Admissible Assets less Liabilities (Basic Own Funds "BOF")	-22,716	-23,737	16,011	30,983
Total Basic Own Funds (TBOF)	-22,716	-23,737	100,000	100,000

From the above we observe that the Basic Own Funds are improved compared to the base scenario due to the increase in retained earnings.

9.2 Scenario 2

Under this scenario, the projected loss ratio for 2025 and 2026 is increased by 5% for all lines of business. The results of Scenario 2 are as under:

ANNUAL SOLVENCY POSITION BY YEAR SCENARIO 2	AED '000			
	2024 H1	2024 FY	2025 FY	2026 FY
Minimum Capital Requirement (MCR)	100,000	100,000	100,000	100,000
Basic Solvency Capital Requirement (BSCR)	43,906	43,140	50,433	58,010
Solvency Capital Requirements (SCR)	56,665	56,914	66,273	76,174
Minimum Guarantee Fund (MGF)	36,337	40,974	47,418	55,585
Net Admissible Assets less Liabilities (Basic Own Funds "BOF")	-22,716	-23,737	6,811	14,208
Total Basic Own Funds (TBOF)	-22,716	-23,737	100,000	100,000

The Basic Own Funds are reduced compared to the base scenario due to the decrease in retained earnings driven by higher claims outgo. The Company should monitor the loss ratios and take corrective actions if they increase by more than 5%, else the Company will be at risk of not meeting the required MCR in 2025 and 2026.

9.3 Scenario 3

Under this scenario, the Company fails to increase the admissibility of previously inadmissible assets in 2025 and 2026. The results of Scenario 3 are as under:

ANNUAL SOLVENCY POSITION BY YEAR SCENARIO 3	AED '000			
	2024 H1	2024 FY	2025 FY	2026 FY
Minimum Capital Requirement (MCR)	100,000	100,000	100,000	100,000
Basic Solvency Capital Requirement (BSCR)	43,906	43,140	49,245	56,656
Solvency Capital Requirements (SCR)	56,665	56,914	64,729	74,413
Minimum Guarantee Fund (MGF)	36,337	40,974	47,418	55,585
Net Admissible Assets less Liabilities (Basic Own Funds "TBOF")	-22,716	-23,737	5,747	19,281
Total Basic Own Funds (TBOF)	-22,716	-23,737	100,000	100,000

The Basic Own Funds are reduced in 2025 and 2026 compared to the base scenario as expected. SCR is also lower in 2025 and 2026 due to the lower credit risk.

9.4 Scenario 4

This scenario considers credit risk and assumes a Bank default resulting in 50% reduction in market value of bank with largest exposure in Insurance House's investment portfolio for years 2025 and 2026.

ANNUAL SOLVENCY POSITION BY YEAR SCENARIO 4	AED '000			
	2024 H1	2024 FY	2025 FY	2026 FY
Minimum Capital Requirement (MCR)	100,000	100,000	**100,000**	**100,000**
Basic Solvency Capital Requirement (BSCR)	43,906	43,140	**49,783**	**57,709**
Solvency Capital Requirements (SCR)	56,665	56,914	**65,428**	**75,783**
Minimum Guarantee Fund (MGF)	36,337	40,974	**47,418**	**55,585**
Net Admissible Assets less Liabilities (Basic Own Funds "TBOF")	**-22,716**	**-23,737**	**-20,633**	**-22,027**
Total Basic Own Funds (TBOF)	**-22,716**	**-23,737**	**79,367**	**77,973**

Total Basic Own Funds reduce as a result of the reduction in the Company's net admissible assets compared to the Base Scenario resulting in the Company not being able to meet the regulatory requirements. The Company's net admissible assets remain negative in 2025 and 2026 leading to a shortfall of c AED 21m in 2025 and c AED 22m when compared to the Minimum Capital Requirement of AED 100m.

9.5 Scenario 5

This scenario stresses the Company's liquidity risk by assuming two large claims are paid as a result of a Storm event happening in 2025. The total net claims paid are 800k AED. The results of Scenario 5 are as under:

ANNUAL SOLVENCY POSITION BY YEAR SCENARIO 5	AED '000			
	2024 H1	2024 FY	2025 FY	2026 FY
Minimum Capital Requirement (MCR)	100,000	100,000	**100,000**	**100,000**
Basic Solvency Capital Requirement (BSCR)	43,906	43,140	**50,415**	**57,917**
Solvency Capital Requirements (SCR)	56,665	56,914	**66,249**	**76,053**
Minimum Guarantee Fund (MGF)	36,337	40,974	**47,418**	**55,585**
Net Admissible Assets less Liabilities (Basic Own Funds "TBOF")	**-22,716**	**-23,737**	**13,200**	**28,890**
Total Basic Own Funds (TBOF)	**-22,716**	**-23,737**	**100,000**	**100,000**

9.6 Scenario 6

This scenario assumes reinsurance default resulting to 50% loss of recoverables for the Motor business. The results of Scenario 6 are as under:

ANNUAL SOLVENCY POSITION BY YEAR SCENARIO 6	AED '000			
	2024 H1	2024 FY	2025 FY	2026 FY
Minimum Capital Requirement (MCR)	100,000	100,000	**100,000**	**100,000**
Basic Solvency Capital Requirement (BSCR)	43,906	43,140	**50,169**	**57,727**
Solvency Capital Requirements (SCR)	56,665	56,914	**65,930**	**75,805**
Minimum Guarantee Fund (MGF)	36,337	40,974	**47,418**	**55,585**
Net Admissible Assets less Liabilities (Basic Own Funds "TBOF")	**-22,716**	**-23,737**	**20,494**	**42,664**
Total Basic Own Funds (TBOF)	**-22,716**	**-23,737**	**100,000**	**100,000**

9.7 Scenario 7

This is a scenario combining elements of an Idiosyncratic Stress Scenario (Scenario 3) with elements of a System- Wide Stress Scenario (Scenario 5). The results of Scenario 7 are as under:

ANNUAL SOLVENCY POSITION BY YEAR SCENARIO 7	AED '000			
	2024 H1	2024 FY	2025 FY	2026 FY
Minimum Capital Requirement (MCR)	100,000	100,000	**100,000**	**100,000**
Basic Solvency Capital Requirement (BSCR)	43,906	43,140	**49,272**	**56,652**
Solvency Capital Requirements (SCR)	56,665	56,914	**64,764**	**74,408**
Minimum Guarantee Fund (MGF)	36,337	40,974	**47,418**	**55,585**
Net Admissible Assets less Liabilities (Basic Own Funds "TBOF")	**-22,716**	**-23,737**	**4,946**	**18,481**
Total Basic Own Funds (TBOF)	**-22,716**	**-23,737**	**100,000**	**100,000**

The SCR reduces due to the reduction of credit risk.

10 Recovery indicators

10.1 Quantitative Indicators

The tables below show the Company's recovery indicators as of 2024 H1 as well as projected 2024FY, 2025FY and 2026FY.

1. CAPITAL INDICATORS	2024H1	2024 FY	2025 FY	2026 FY
a) Admissible assets less liabilities	-22,716	-23,737	14,001	29,690
b) Own funds eligible to meet (MCR)	-22,716	-23,737	100,000	100,000
c) MCR Surplus/Deficit	-122,716	-123,737	0	0
d) Own funds to meet solvency capital requirement (SCR)	-22,716	-23,737	107,001	114,845
e) SCR surplus/deficit	-76,785	-80,651	40,787	38,788
f) Own funds eligible to meet the MGF	-22,716	-23,737	107,001	114,845
g) SCR ratio - groups	n/a	n/a	n/a	n/a
h) SCR ratio - non-life/general	-42%	-42%	162%	151%
i) SCR ratio - life/family	n/a	n/a	n/a	n/a
j) SCR underwriting	18,598	22,495	27,212	34,058
k) SCR market	3,386	3,618	5,028	5,040
l) SCR counterparty default	30,533	29,959	34,232	37,713
m) SCR operational	12,703	13,774	15,826	18,137

2. LIQUIDITY INDICATORS	2024H1	2024 FY	2025 FY	2026 FY
a) Liquid assets ratio	97%	97%	105%	108%

3. PROFITABILITY INDICATORS	2024H1	2024 FY	2025 FY	2026 FY
a) Net combined ratio - non-life	111%	107%	95%	92%
b) Investment return - non-life/general	1%	1%	2%	2%
b) Investment return - life/family	n/a	n/a	n/a	n/a
c) Assets over liabilities	102%	102%	110%	112%
d) Return on excess of assets over liabilities	2%	2%	9%	11%
e) Return on assets	-2%	-3%	2%	4%
f) Return to premiums/contributions (Gross)	-4%	-3%	3%	4%
f) Return to premiums/contributions (Net)	-7%	-6%	4%	7%
g) Underwriting surplus	-8,614	-10,234	10,173	20,115

4. MARKET-BASED INDICATORS	2024H1	2024 FY	2025 FY	2026 FY
a) Concentration of assets	3,354	3,592	4,999	4,999
b) Duration mismatch	3	3	3	3

5. CREDIT RISK INDICATORS	2024H1	2024 FY	2025 FY	2026 FY
a) Average rating of investments	Other	Other	Other	Other
b) Share of below investment grade assets (credit quality step > 3)	100%	100%	100%	100%

The Company will monitor the above recovery plan indicators on a frequent basis to ensure it can respond appropriately in a timely manner to restore its financial position following a significant deterioration as well as the following: difficulties in issuing liabilities at current market rates, unexpected loss of Senior Management, adverse court rulings, negative market press and significant reputational damage to the franchise.

11 Business continuity arrangements

11.1 Stress Testing and Risk Assessment in the Recovery Plan

Insurance House will perform regular and comprehensive stress testing to assess the adequacy of the actions planned for restoring its solvency position in the event of unforeseen challenges. These stress scenarios will simulate adverse conditions, such as economic downturns, market volatility, or unexpected operational losses, to ensure that the recovery measures outlined are robust enough to withstand a range of potential crises.

The stress tests will evaluate the impact of these scenarios on IH's solvency and overall financial health. If the results indicate that the actions currently planned are insufficient to restore the solvency position, the following actions will be taken:

11.2 Updating the Recovery Plan

IH will update the recovery plan based on the most current financial data and insights from the stress tests. This process will involve reviewing the effectiveness of each proposed recovery measure and incorporating new strategies to address gaps or weaknesses identified in the plan.

This update will ensure that the recovery plan remains dynamic and reflective of the real-time risks faced by the company, adjusting for any emerging threats or changes in the external environment.

11.3 Capital Injection from Shareholders

The company's shareholders are committed to providing additional capital if necessary to bolster the solvency position. IH will maintain clear communication with shareholders about the potential need for capital injections and have pre-agreed arrangements to ensure timely and adequate funding during recovery scenarios.

The capital injection would aim to strengthen the balance sheet, improve solvency ratios, and provide the liquidity needed to navigate through the recovery period.

11.4 Reassessment of the Business Plan

In the event that stress testing indicates the company's solvency will not be restored to acceptable levels, IH will reassess its business plan to identify opportunities for further enhancing profitability. This could involve:

- Reviewing the pricing strategy and underwriting practices to improve premium income and loss ratios.
- Diversifying the product mix to enter more profitable or less risky lines of business.
- Identifying cost-saving measures, including optimizing operational efficiencies, reducing administrative expenses, and renegotiating vendor contracts.
- Exploring strategic partnerships or acquisitions that can contribute to business growth and improve profitability.

11.5 Continuous Monitoring and Early Warning Indicators

In parallel with the stress testing process, IH will implement a framework for continuous monitoring of key solvency and liquidity metrics. Early warning indicators will be established to detect potential issues with the company's financial health, such as deteriorating solvency ratios or liquidity shortfalls.

These indicators will trigger timely corrective actions, allowing IH to respond proactively to emerging threats and avoid deeper financial distress.

This holistic approach ensures that IH's recovery plan remains adaptable, allowing the company to react swiftly and effectively in the face of unforeseen events that could threaten its solvency.

11.6 Service Level Agreements (SLAs) and Contract Continuity

Insurance House will ensure that its service level agreements (SLAs) with third-party providers are designed to remain valid during recovery events.

12 Communication plan

This communication plan outlines the steps that IH will follow to effectively communicate with the public, financial markets, staff, and other key stakeholders in the event of deploying the recovery plan.

The goal is to ensure transparent, timely, and accurate information dissemination, maintaining trust and confidence while complying with regulatory requirements.

12.1 Objectives

Provide clear and timely communication to all stakeholders during the deployment of the recovery plan.

- Mitigate any potential reputational damage through proactive communication.
- Ensure the consistency of messages delivered across all channels.
- Comply with regulatory requirements regarding information disclosure.
- Maintain stakeholder trust and confidence in the company's stability.

12.2 Communication Strategy Overview

The communication strategy will focus on ensuring that each stakeholder group receives relevant, accurate, and timely information in the event of deploying the recovery plan. The approach will differ slightly for each group, but the core messages will remain consistent across all channels.

12.3 Communication Channels

- Public: Press releases, website updates, social media
- Financial Markets/Investors: Investor briefings, earnings calls, stock exchange notifications, emails
- Internal Staff: Internal memos, intranet updates, town halls, email
- Regulators: Formal written notifications, regulatory filings, meetings
- Business Partners: Direct communication via email, phone calls, or in-person meetings
- Policyholders: Emails, website updates, call centers

12.4 Prepared Statements

The Company will prepare several template statements tailored for each target audience in advance. These should include:

- Initial Announcement: A clear, factual statement on the recovery plan's activation.
- Updates: Regular updates to inform stakeholders of ongoing progress.
- Q&A: A document addressing potential questions from stakeholders.

12.5 Step-by-Step Plan

12.5.1 Phase 1: Pre-Deployment Preparations

1. Message Development: Draft template statements for each audience.
2. Approval Process: Statements to be reviewed by Legal, Compliance, and Risk departments.
3. Final approval by the Board of Directors and CEO.

4. Establish Spokespersons: Identify key personnel who will be responsible for external communications (e.g., CEO, Communications Director).

12.5.2 Phase 2: Activation

1. Approval of Communication Deployment: Approval from the Board and CEO before any external communication is released.
2. Internal Notification: Notify internal staff of the recovery plan activation via an internal memo before any public release. Conduct staff briefings to ensure all employees understand the message and can respond appropriately.
3. Public Announcement: Issue a press release and update the company website simultaneously to inform the public.
4. Financial Markets Notification: Notify investors and the stock exchange with a formal announcement, ensuring compliance with financial market regulations.
5. Regulatory Notification: Submit a formal written notification to regulatory bodies.

12.5.3 Phase 3: Ongoing Communication

1. Regular Updates: Send updates to stakeholders at predefined intervals (daily/weekly depending on the situation).
2. Media Management: Respond to media inquiries with consistent messaging, ensuring clarity.
3. Q&A Management: Maintain a live FAQ section on the company's website to address common questions from stakeholders.

12.5.4 Phase 4: Post-Recovery Communication

1. Final Update: Issue a final statement to announce the successful implementation of the recovery plan or any significant changes in strategy.
2. Debriefing: Conduct internal debriefing to review the communication effectiveness and identify areas for improvement.

12.6 Approval Workflow

- Content Development: Communications Department
- Legal and Compliance Review: Legal and Compliance Departments
- Risk Assessment: Risk Management Department
- Executive Approval: Board of Directors, CEO, recovery committee
- Regulatory Sign-Off: Compliance team to ensure adherence to regulations

12.7 Timing

- Internal Staff Notification: Immediate upon the decision to activate the recovery plan.
- Public Announcement: Within 2-4 hours of internal communication.
- Financial Markets Announcement: Simultaneous with the public announcement.
- Regulatory Filing: Within 24 hours of recovery plan activation.

12.8 Crisis Response Team

- Legal Counsel
- Risk Manager

- Investor Relations Lead
- Compliance Officer
- CEO (Spokesperson)

12.9 Evaluation and Monitoring

Continuous monitoring of stakeholder responses, media coverage, and social media sentiment and adjust communication strategy as needed based on feedback.

Post-event review to assess the effectiveness of the communication plan and document learnings for future scenarios.

13 Appendices

Appendix A: Actual and Projected Income Statement per Line of Business

Motor

CATEGORY	ACTUAL AND PROJECTED INCOME STATEMENT (AED '000)			
	2024 H1	2024 FY	2025 FY	2026 FY
Insurance contracts premium written	66,822	111,322	139,152	173,940
Less: Insurance premium ceded to reinsurers	1,412	2,824	3,375	4,219
Net Written Premiums	**65,410**	**108,497**	**135,777**	**169,721**
Movement in unearned premiums reserve	-21,075	-17,778	-13,703	-17,129
Net Earned Premiums	**44,334**	**90,719**	**122,074**	**152,592**
Commission income earned	0	0	0	0
Commission expense incurred	-4,804	-11,284	-13,908	-15,681
Total Underwriting Income	**39,530**	**79,435**	**108,166**	**136,911**
Claims paid	64,358	97,267	69,852	92,682
Less: reinsurance claims paid	14,353	14,353	0	0
Net Claims Paid	**50,005**	**82,914**	**69,852**	**92,682**
Movement in outstanding claims	-819	-4,120	8,077	8,177
Movement in RI share of outstanding claims	-5,280	1,202	3,241	1,620
Movement in incurred but not reported claims	-5,113	-6,719	3,929	3,977
Increase in PDR	-2,107	-4,905	0	0
Movement in ULAE	-438	-582	353	357
Net Claims Incurred	**36,248**	**67,790**	**85,452**	**106,815**
Total Underwriting Expenses	**3,112**	**5,704**	**6,425**	**8,031**
Net Underwriting Income	**170**	**5,942**	**16,290**	**22,065**
Ratios				
GWP Growth Rate		67%	25%	25%
Retention Ratio[1]	98%	97%	98%	98%
Net Incurred LR[2]	82%	75%	70%	70%
Net Commission Ratio[3]	-11%	-12%	-11%	-10%
Expense Ratio[4]	18%	18%	12%	10%
Net Profit / (Loss) Ratio[5]	-18%	-11%	1%	4%

Health

CATEGORY	ACTUAL AND PROJECTED INCOME STATEMENT (AED '000)			
	2024 H1	2024 FY	2025 FY	2026 FY
Insurance contracts premium written	115,878	154,878	193,598	241,998
Less: Insurance premium ceded to reinsurers	67,942	90,843	117,809	147,261
Net Written Premiums	**47,936**	**64,036**	**75,789**	**94,736**
Movement in unearned premiums reserve	-18,535	-5,989	-4,073	-6,566
Net Earned Premiums	**29,401**	**58,046**	**71,716**	**88,170**
Commission income earned	4,351	7,538	8,957	10,964
Commission expense incurred	-6,255	-13,548	-13,839	-16,892
Total Underwriting Income	**27,498**	**52,036**	**66,835**	**82,243**
Claims paid	53,415	104,073	137,019	168,853
Less: reinsurance claims paid	36,861	71,820	94,555	116,523
Net Claims Paid	**16,554**	**32,254**	**42,464**	**52,329**
Movement in outstanding claims	-2	-2	0	0
Movement in RI share of outstanding claims	0	0	0	0
Movement in incurred but not reported claims	-22	-244	545	552
Increase in PDR	0	0	0	0
Movement in ULAE	2	-7	21	21
Net Claims Incurred	**16,532**	**32,000**	**43,030**	**52,902**
Total Underwriting Expenses	**2,636**	**5,140**	**7,084**	**8,855**
Net Underwriting Income	**8,330**	**14,896**	**16,721**	**20,485**
Ratios				
GWP Growth Rate		34%	25%	25%
Retention Ratio[1]	41%	41%	39%	39%
Net Incurred LR[2]	56%	55%	60%	60%
Net Commission Ratio[3]	-6%	-10%	-7%	-7%
Expense Ratio[4]	23%	23%	18%	15%
Net Profit / (Loss) Ratio[5]	6%	3%	6%	8%

Commercial

CATEGORY	ACTUAL AND PROJECTED INCOME STATEMENT (AED '000)			
	2024 H1	2024 FY	2025 FY	2026 FY
Insurance contracts premium written	21,478	55,178	68,972	86,215
Less: Insurance premium ceded to reinsurers	16,751	41,862	50,133	62,666
Net Written Premiums	**4,727**	**13,316**	**18,840**	**23,549**
Movement in unearned premiums reserve	-2,739	-5,017	-2,081	-2,601
Net Earned Premiums	**1,988**	**8,299**	**16,758**	**20,948**
Commission income earned	4,975	7,050	9,017	11,096
Commission expense incurred	-3,370	-6,086	-8,480	-10,241
Total Underwriting Income	**3,593**	**9,264**	**17,295**	**21,803**
Claims paid	2,656	-23,280	218,799	86,024
Less: reinsurance claims paid	2,226	-19,512	183,384	72,100
Net Claims Paid	**430**	**-3,768**	**35,415**	**13,924**
Movement in outstanding claims	40,801	33,267	18,429	18,658
Movement in RI share of outstanding claims	-40,001	-26,146	-46,256	-22,909
Movement in incurred but not reported claims	113	6	262	266
Increase in PDR	0	0	0	0
Movement in ULAE	1,006	790	529	536
Net Claims Incurred	**2,350**	**4,150**	**8,379**	**10,474**
Total Underwriting Expenses	**0**	**0**	**0**	**0**
Net Underwriting Income	**1,243**	**5,114**	**8,916**	**11,329**
Ratios				
GWP Growth Rate		157%	25%	25%
Retention Ratio[1]	22%	24%	27%	27%
Net Incurred LR[2]	118%	50%	50%	50%
Net Commission Ratio[3]	81%	12%	3%	4%
Expense Ratio[4]	220%	102%	48%	43%
Net Profit / (Loss) Ratio[5]	-157%	-41%	5%	12%

Appendix B: Assumptions

Motor

ASSUMPTION	2024 FY	2025 FY	2026 FY
GWP Growth Rate	67%	25%	25%
Net Ultimate Loss Ratio	74.7%	70.0%	70.0%
Net Commission Ratio	12.4%	11.4%	10.3%
Net Expense Ratio	26.0%	19.3%	17.4%

Health

ASSUMPTION	2024 FY	2025 FY	2026 FY
GWP Growth Rate	34%	25%	25%
Net Ultimate Loss Ratio	55.1%	60.0%	60.0%
Net Commission Ratio	10.4%	6.8%	6.7%
Net Expense Ratio	33.4%	28.9%	26.8%

Commercial

ASSUMPTION	2024 FY	2025 FY	2026 FY
GWP Growth Rate	157%	25%	25%
Net Ultimate Loss Ratio	50.0%	50.0%	50.0%
Net Commission Ratio	-11.6%	-3.2%	-4.1%
Net Expense Ratio	103.7%	49.2%	42.6%

Asset Admissibility

ASSUMPTION	2024 FY	2025 FY	2026 FY
RI Receivables Admissible	96.4%	96.4%	96.4%
Insurance receivables Admissible	90.6%	95.0%	95.0%
S&S Admissible	73.5%	87.5%	87.5%

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13 January 2025

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Re: Solvency Recovery Plan Certification

We have prepared this certificate in our capacity as the Appointed Actuary to Insurance House P.J.S.C ("the Company" or "IH").

During the first quarter of 2023 there was a significant decrease in the Company's Net Admissible Assets less Liabilities, resulting in failure to meet regulatory capital requirements. Specifically, a shortfall of c AED 65m arose in the net admissible assets when compared to the Minimum Capital Requirement of AED 100m. During the last quarters of 2023 and first two quarters of 2024, the Company's solvency position further deteriorated with a shortfall of c AED 123m being present in the net admissible assets when compared to the Minimum Capital Requirement of AED 100m as at the end of 2024 Q2.

The Company prepared an updated solvency recovery plan ("202409 12D IH Recovery Plan - Subordinated liabilities.pdf") to address the solvency deficit. The following key actions were presented with the aim to increase the Total Basic Own Funds:

Increase Admissible Assets:

- Enhance the admissibility of previously inadmissible assets by improving the collection process and thus the admissibility of receivables and recoveries from salvages and subrogation.

Raise Fresh Capital:

- Raise AED 25M in Tier 1 capital within 90 days of CBUAE approval.
- Issue a letter of Guarantee by the key shareholder of AED 100M. The Shareholder Guarantee will be triggered if and when the Net Admissible Assets fall below the level of Net Admissible Assets as at 30 September 2024. If such an event occurs, then the Shareholder will be required to inject the amount of shortfall and restore the Net Admissible Assets to the level as at 30 September 2024.

Even though the shareholder's letter of guarantee is categorised as ancillary own funds in the regulation, the company intends to pursue CBUAE approval to classify the shareholder guarantee as a "Subordinated Liability under Basic Own Funds." The projections were prepared based on the assumption that CBUAE will grant this approval. The Solvency

Position Projections included in the recovery plan assume that CBUAE will accept the Key Shareholder Guarantee as "Subordinated Liability under Basic Own Funds".

The table below shows the solvency projection carried out as at the second quarter of 2024 based on the proposed capital and operational changes, as presented in the Company's solvency recovery plan as well as the Company's actual position as at the end of the first half of 2024.

ANNUAL SOLVENCY POSITION BY YEAR AED '000				
	30-JUN-2024 actual	31-DEC-2024 projected	31-DEC-2025 projected	31-DEC-2026 projected
Net Admissible Assets less Liabilities	-22,716	-23,737	14,001	29,690
Total Subordinated Liabilities	-	-	100,000	100,000
Total Subordinated Liabilities (Limited)	-	-	85,999	70,310
Total Basic Own Funds (TBOF)	-22,716	-23,737	100,000	100,000
Total Ancillary Own Funds (TAOF)	-	-	14,001	29,690
Minimum Capital Requirement (MCR)	100,000	100,000	100,000	100,000
Solvency Capital Requirements (SCR)	56,665	56,914	66,214	76,057
Minimum Guarantee Fund (MGF)	36,337	40,974	47,418	55,585
MCR Solvency Margin - Surplus/(Deficit)	-122,716	-123,737	0	0
SCR Solvency Margin - Surplus/(Deficit)	-79,380	-80,651	40,787	38,788
MGF Solvency Margin - Surplus/(Deficit)	-59,052	-64,712	59,582	59,260
MCR Solvency Ratio	-23%	-24%	100%	100%
SCR Solvency Ratio	-40%	-42%	162%	151%
MGF Solvency Ratio	-63%	-58%	226%	207%

Conclusion

The Company was not able to restore its solvency condition, mitigate the risk of future failures, and safeguard policyholder protection during the first half of 2024. The solvency recovery plan prepared will assist the Company to restore its solvency condition by the end of 2025, mitigate the risk of future failures, and safeguard policyholder protection. Forecasted profitability and solvency are very sensitive to the assumptions underlying the business plan.

We advise that the Company closely monitors the actual experience and promptly implements corrective actions if there are deviations from the assumed projections.

Yours sincerely,

Aristos Kyriakides

Director | Actuarial, Rewards and Analytics
IA Registration Number: 99

Appendix A: Reliance and Limitations

A.1 Reliance

Deloitte relied on the information and data provided to us, both written and verbal, by the Company. We are not in a position to verify or audit this information in detail. Where possible we do perform basic consistency and reasonability checks, but we are reliant on the providers of this information for accuracy and completeness.

A.2 Limitations

This letter has been prepared on an agreed basis for the Company and the report must not be relied upon for any other purpose.

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The report may be provided to the Company’s auditors, solely for the purposes of audit.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

This report must be considered in its entirety, as individual sections, if considered in isolation, may be misleading.

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