



MIC Ltd.
Mutual Insurance Company

Financial Condition Report

December 31, 2022

Registration No. 202201809



Document Control

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Distribution

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Executive Summary & Declaration

In accordance with the Insurance (Public Disclosure) Rules 2015, the Bermuda Monetary Authority (BMA) requires Bermuda registered insurers to publish annually a Financial Condition Report (FCR). This is the sixth FCR published by MIC Ltd. and its predecessor company, Mutual Insurance Company Limited. Its purpose is to provide stakeholders, including policyholders and regulators with additional information on the financial condition of MIC Ltd. (MICL) supplementary to that contained in the annual financial statements.

2022 was the fourth year of a five year strategy designed around five initiatives. During 2022, we made significant progress on key milestones including 14% growth in written premium, and realized improvements in net earned premium due to growth over the past two fiscal years. Like many insurers, our balance sheet was adversely affected by the revaluation of our investments due to significant market declines in 2022. We did not realize any investment losses due to the structure of our investment portfolio and positive operating cash flows.

MICL's vision consistently has been to protect the right of free expression in the Americas for creators and providers of content. Our mission at MICL is to provide high value risk management products and services to content creators and providers by offering insurance designed and managed by an industry leading team.

Declaration on the Financial Condition Report

To the best of my knowledge and belief, this financial condition report represents the financial condition of MIC Ltd. as at December 31, 2022, in all material respects.



Joanne Richardson
Chief Executive Officer



Janet Carew
Chief Financial Officer & CRO

April 26, 2023



1. Business & Performance

1 (a - e) Business

On December 1, 2022, MIC Ltd. (“MICL”, “the Company”) received its Class 3A Commercial Insurer licence from the BMA. The Company was formed to facilitate a merger with the legacy insurer, Mutual Insurance Company Limited. The resulting structure is:

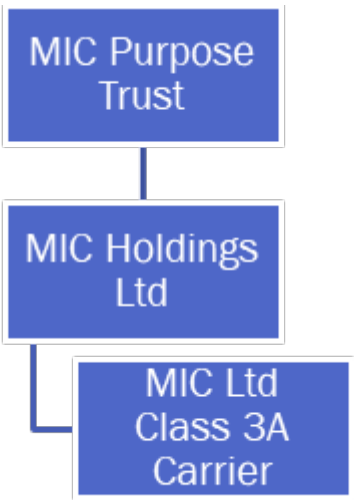


Figure 1 - Organization of MICL effective Dec 1, 2022

The restructuring plan achieved the following objectives:

- Removed antiquated Bye-Laws;
- Updated Memorandum of Association (**MOA**) to new standard MOA;
- Converted MIC from mutual to exempted company;
- Created a modern corporate structure.

History: Mutual Insurance Company Limited was incorporated by an Act of Parliament in Bermuda on April 5, 1961 as a mutual company with liability limited to the premiums paid by its policyholder members, and commenced writing insurance business on July 1, 1961. MICL was licensed under the Insurance Act 1978 of Bermuda to write all classes of property and casualty business. The Mutual Insurance Company Limited Amendment Act 1986 established limited liability and that the provisions of the Companies Act 1981 would apply to it. The Members of Mutual Insurance Company Limited were defined in the Bye-laws as the Directors. Policyholders were not members. On October 31, 2017, Mutual Insurance Company Limited was reclassified as a Class 3A – Commercial Insurer

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by the Bermuda Monetary Authority, its regulator. Prior to October 31, 2017, it was registered as a Class 2 insurer.

Name and contact details of the insurance supervisor:

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton
Bermuda

Name and contact details of the approved auditor:

PricewaterhouseCoopers Ltd.
Washington House
4th Floor, 16 Church Street
Hamilton HM 11
Bermuda

Engagement Partner: Damian Cooper
Email: damian.cooper@pwc.com
Phone: +1 441 295 2000



1 (f) Underwriting Performance

The Company operates the following professional insurance programs:

Our Media Liability (libel) program is offered to publishers of daily and weekly newspapers, radio, TV, cable operations, digital publishers, and electronic information services based in North America in claims made and claims occurrence forms. An Information Security and Privacy Extension endorsement is available for certain policyholders.

The insurance program is protected by various per occurrence and aggregate excess of loss reinsurance policies. Risks retained were \$1.25m in 2017 and 2018, \$1.75m in 2019, and \$2.0m thereafter. Our cyber coverages, which are offered only as an endorsement to our media liability policies written in Bermuda, are 100% ceded. From 2019 – 2021, MICL retained 20% of this risk.

Key Results

Key Results (000's)	ACTUAL 2022	ACTUAL 2021
(f) Gross Premiums Written	35,149	30,823
(h) Material Expenses		
Losses & loss adjustment expenses	6,734	7,273
Commissions & brokerage	2,593	1,898
General & administrative	6,284	6,200

Table 1 - Key Results

(g) Investment Performance (000's)	Market Value	Market Value	Performance	Performance	Performance	Performance
	ACTUAL 2022	ACTUAL 2021	ACTUAL 2022 \$	ACTUAL 2021 \$	ACTUAL 2022 %	ACTUAL 2021%
Fixed income	87,292	96,231	-11,599	2,451	-9.14%	2.55%
Equities	12,356	15,346	-2,990	3,266	-18.18%	21.28%
	99,648	111,577	-14,589	5,717	-10.37%	5.12%

Table 2 - Investment Performance



2. Governance Structure

MICL has established a governance structure as part of its risk management framework that is designed to anticipate reasonably foreseeable risks. It is proportionate to the nature, scale and complexity of the Company’s operations.

(a) Board and Senior Executive

The Board of Directors is ultimately responsible for sound and prudent governance. The Company has documented Bye-laws, a Board Charter which sets out Terms of Reference, a Fit & Proper Policy for board, officer and outsource service providers, and policies regarding ethics and compliance, the authorities of executives, and performance and rewards of all employees, in addition to operational policies for functional areas such as underwriting, claims, and finance. The Board meets at least semi-annually, follows a formal agenda and the meetings are minuted by the Corporate Secretary.

Committees are in place to support the Board of Directors in discharging its responsibilities. Each committee has its own charter and standing agenda and meets at least twice per year.



Figure 2 - Structure of Committees to the Board

The Executive Committee is comprised of the Chairman of the Board, and chairs of the other committees. This committee acts as the nominating committee for directors. It conducts and reports to the Board on annual fitness and propriety assessments of all Directors, Officers and key outsource service providers, and determines remuneration of executives.

The Underwriting Committee reviews MICL’s underwriting risk appetite and tolerances, and underwriting policy at least annually. It reviews management’s underwriting strategy and business plans, including the reinsurance program, and underwriting results relative to targets, including reviews of loss reserve development. The committee reports to and makes recommendations to the Board on governance practices, internal controls and other matters related to the underwriting activities, such as the use of benchmarks and stress/scenario testing in determining strategies and



risk appetite. The committee approves the CEO’s authority and reviews authorities granted to underwriters and claims management.

The Audit & Risk Committee is tasked with satisfying itself that the financial statements of MICL present a full and true account of the financial affairs of the Company in all material respects, and that the accounts and statements are regularly and properly audited and that the Board is provided with full and timely disclosure of the financial situation of the Company. It recommends to the Board the selection and appointment of independent auditors and the Loss Reserve Specialist and reviews, with the internal auditors, reports on procedures and processes for improving internal controls. The Audit & Risk Committee is also responsible for ensuring the alignment of the risk management framework with the strategic plan and operations of the Company. It sees that senior management have identified and assessed all material risks relevant to MICL, and established an infrastructure to manage, document and report on identified risks and any breaches of risk tolerance.

The Finance & Investment Committee considers the management of MICL’s investment portfolio for performance against risk adjusted return benchmarks and targets, and compliance with the investment objectives and guidelines. It recommends to the Board from time to time any changes in investment guidelines that it deems appropriate, considering the advice of the investment managers and senior management, and the market and credit risks to which the Company is exposed. It also oversees the capital sufficiency of MICL by reference to internal and regulatory capital models, including the results of stress and scenario testing, and considers credit and debt financing.

The Donations Committee recommends to the Board donations to charitable institutions domiciled in Bermuda to be annually distributed by the Company according to policies approved by the Board and the annual budget.

Current composition of the committees:

	Audit & Risk	Underwriting	Finance & Investment	Executive	Donations
Chair	Richard Warren	Roger Gillett	Ian Davidson	Richard Spurling	Richard Spurling
Co-chair	Rochelle Simons				
NED	Ian Davidson	Richard Warren	Gregg Jones	Richard Warren	Ian Davidson
NED	Carol Feathers	Alan Waring	Richard Warren	Ian Davidson	Janet Carew
NED	Gregg Jones	Nat Lea		Roger Gillett	
ED	Joanne Richardson	Joanne Richardson	Joanne Richardson	Joanne Richardson	Joanne Richardson
Management	Janet Carew	Janet Carew	Janet Carew		
		Stephen Schaefer			



Senior Management structure

Chief and Senior Executives are responsible for the development and execution of strategic and business plans, and the day to day operations of MICL. These executives operate along functional lines, supervising staff and outsource service providers, and are subject to contractual performance management criteria established by the Board of Directors.

The **Chief Executive Officer** is responsible for managing the insurance operations of the company and developing and driving a growth strategy for MICL. She is tasked with ensuring compliance with the Company's risk tolerance, management philosophy, guidelines and practices, developing and maintaining positive business relationships with brokers, outsource service providers, professionals and other key partners, vendors and providers; and managing the underwriting, claims, actuarial, financial reporting, and general administration of the Company

The **Chief Executive Officer, acting as Chief Underwriting Officer** also has oversight and management responsibility of all underwriting and reinsurance functions of MICL including development of a strategic underwriting framework, composition of underwriting guidelines for all approved lines of business, product development and execution of an appropriate marketing strategy, and acts as the Company's lead underwriter.

The **Chief Financial Officer and Chief Risk Officer** is responsible for the day-to-day management of the finance and risk department, provides relevant feedback to production strategies and business plans by evaluating business imperatives versus risk management and capital allocation, and manages the Company's balance sheet within the capital adequacy objectives established by the Board, ensuring financial and operational stability.

Remuneration Policy

The Board of Directors has established a remuneration policy for directors, officers, employees and outsource service providers that recognizes and rewards the contributions to the Company's mission and vision made by each compensated person. Directors receive an annual retainer, meeting fees and expense reimbursements for attendance at Board and committee meetings.

Executives receive a combination of salary, benefits, allowances, and bonuses tied to company and individual performance. Staff are paid salary, benefits and individual performance awards, and participate in a profit-sharing pool. Outsource service providers are remunerated according to contractual provisions and are generally not eligible for bonuses.

Pensions and Early Retirement

The Company has established a defined contribution pension plan for eligible employees. Contributions by the Company to the defined contribution plans are subject to vesting requirements, and follow a percentage of an employee's annual income based on tenure and are matched against



employee contributions. There are no pension or retirement schemes for directors or outsourced service providers.

Material Transactions with Board Members

None

Fitness & Propriety requirements

MICL's Fit & Proper policy considers the criteria for all positions which constitute a director, controller, chief executive, officer and senior executive. At the highest level, the criteria for all in assessing fitness and propriety are:

- Honesty, integrity, fairness and reputation
- Competence and capability
- Financial soundness

The Executive Committee considers a variety of criteria which take into account information relevant to the person's character, competence, qualifications and experience (pertinent to the duties involved), including the person's reputation in any relevant business or financial community or market. For example, the policy stipulates:

- "The Company's Board of Directors shall include persons who have a broad range of personal, professional, business, government and social acumen and experience so as to assure that the Company provides its policyholders with a comprehensive and expansive media liability insurance policy at a competitive cost."
- "The Chief Executive Officer should have broad experience in the insurance industry and generally knowledgeable of underwriting, reinsurance and claims."
- "The Chief Financial Officer should be a qualified public accountant in Bermuda or been qualified as an accountant by examination in the United Kingdom, Canada or the United States; and have prior experience in the insurance industry."

Additional criteria are prescribed by the Bermuda Monetary Authority (BMA) in relation to the Appointed Auditor and Appointed Loss Reserve Specialist. The Executive Committee takes advice from the Company's Audit and Risk, and Finance and Investment Committees, the CEO and CFO in relation to matters relating to the appointment, and ongoing assessment as to fitness and propriety, of these individuals, to ensure that the Company complies with the specific requirements of the BMA.

Outsource Service Providers should be able to exercise independent professional judgment and have sufficient skills and background to ensure they are appropriate for the position.



The Company's Fit and Proper Policy outlines a series of initial and annual assessments to be carried out and reported to the Executive Committee, as well as actions to be taken if it is determined that a person is no longer fit and proper for the position held. Every two years, at a minimum, the Board completes an Individual Skills Assessment and Board Self-Assessment. The Board reviews the individual and collective skills of its members to ensure they meet the strategic needs of the organization. The Board reviews the Self-Evaluation Questionnaire to identify and action areas in which the Board could be performing better.

The Secretary of the Company is responsible for notifying the regulators of changes to appointments.

The Whistleblower policy is referenced in the Fit and Proper Policy, including provisions about confidentiality and no retaliation for reporting violations. All employees sign the Code of Ethics.

Professional Qualifications, Skills and Expertise of the Board and Senior Executives

Board of Directors

Richard D Spurling Esq. – Chairman^{1,5} (Bermuda) Richard Spurling has been a member of the MICL Board since 1980 and Chairman since 1987. He retired as Senior Partner of the Appleby law firm in 2005 specializing in reinsurance structures/regulation. He is also Chairman of Mizzen Ltd and Independent Managers Limited (an insurance manager). He is a past board member and Chair of the Finance Committee of WP Stewart Co Ltd (an investment manager), BF&M Limited (insurer) and Ascendant Ltd (public utility), all public companies. Rick was also Chair of St Georges Foundation, President of the Bermuda Chamber of Commerce and a member of Parliament/ Government Whip. He was Vice Chair of the Race Relations Board, and Chair of the Bermuda Hospitals Board. Currently Rick chairs the Friends of St Peters Church and St David's Island Historical Society and is the recipient of two Bermuda National Trust awards for conservation/interpretation and was awarded the Queen's Badge of Honour by the late Her Majesty the Queen for public service. Rick has a BA and MBA degree from the College of William & Mary, Virginia and a BA Hons (law) degree from Trinity College, University of Oxford and he was called to the Bars of England & Wales, and Bermuda in 1976 and 1977 respectively.

Ian H. Davidson, CA – Director^{1,2,3,5} (Bermuda) Ian Davidson retired as a Partner with PricewaterhouseCoopers, Bermuda, on June 30, 2007 where he had been a leader in the Investment Management practice with over twenty-five years of experience serving offshore financial services clients. He is a Fellow of The Institute of Chartered Accountants of Bermuda of which he is a past President. In addition to joining the Board of MICL in 2014, he continues to serve on the board of directors of an investment fund and several not-for-profit organizations based in Bermuda, including past chairman of the Bermuda Festival for the Performing Arts.

Carol Feathers FCA CPA ACII – Director and Vice President² (Bermuda) Carol Feathers is a Client Services Director with Ocorian and has over 30 years' experience in the Bermuda insurance market in the fiduciary and management services sector. She is a director of several Bermuda registered companies including commercial insurers with both long term and general business licenses and serves on related board committees. She is a fellow of the Institute of Chartered Accountants in



England & Wales and an Associate of the Chartered Insurance Institute. Carol started her insurance career in Bermuda with the Argus Group from 1984-92, spent several years as Finance Director of a private hospital in the UK and from 1999-2014 held senior positions at Appleby Management (Bermuda) Limited. Carol volunteers as a race official for youth and adult sailing events and as Treasurer and Board Member of Raleigh Bermuda, a youth development charity. She joined the MICL Board in 2020.

Roger C. Gillett – Director ^{1,4} (Bermuda) Roger Gillett started his career in Insurance in 1969 in the UK. He joined Johnson and Higgins in 1977 in Bermuda where he became a Senior Vice President and Principal. In 1997 he joined ACE where his final position was President, ACE Risk Management International. He retired in 2007 and is now a director on a small number of Bermuda insurance companies in addition to MICL, where he joined the Board in 2016. He is a past Chairman of The Institute of Directors - Bermuda Branch, past Chairman of the Insurance Development Council, past President of BIMA and past President of the Bermuda Insurance Institute. Mr. Gillett is a Fellow of the Chartered Insurance Institute, an Associate in Risk Management with the Insurance Institute of America and a Chartered Director.

Gregg K. Jones – Director ^{2,3} (United States) Gregg Jones is Senior Advisor to Adams Publishing Group and Past President and CEO of Jones Media, Inc., a publisher of newspapers and other media-related print and digital products. Until recently, he has been active on the leadership boards of PAGE Cooperative, based in King Of Prussia, PA, and the Southern Newspaper Publishers Association, based in Atlanta, and has served as president of both organizations. Mr. Jones served nine years on the board of the Associated Press, as well as on the board of Newspaper Association of America for many years and as NAA chairman in 2004-2005. He is a Past President of the Tennessee Press Association. Mr. Jones joined the MICL Board in 2014.

Nat Lea – Director ⁴ (United States) Nat Lea is currently president and chief executive officer of WEHCO Media, Inc. in Little Rock, Arkansas. WEHCO operates 14 daily newspapers, 11 cable television systems/internet service providers, and numerous weekly newspapers in six states. Nat has served on the board of the Southern Newspaper Publishers Association (SNPA) and is past president of the Arkansas Press Association. Nat is currently serving as treasurer of America's Newspapers. Nat was appointed to the board in October 2019.

Joanne Richardson, President & Chief Executive Officer ^{1,3} (Bermuda) (Qualifications as below per Executives)

Rochelle L. Simons, FloD, ACII - Director ² (Bermuda) Rochelle Simons has more than 30 years' experience in the Bermuda insurance management industry through her roles as risk management consultant, insurance/reinsurance program manager, business development and team leader with Johnson & Higgins (Bermuda) Limited, Aon Insurance Managers (Bermuda) Limited, and ACE Bermuda Insurance Limited. Rochelle serves as an independent non-executive director on a portfolio of Bermuda insurance companies licensed by the Bermuda Monetary Authority, and she is a governance consultant. Rochelle is a Fellow of the Institute of Directors, UK, past Chairman of the Institute of Directors - Bermuda Branch, and an Associate of the Chartered Insurance Institute. Rochelle was appointed to the MICL board in October 2018.



Alan A. Waring – Director ⁴ (Bermuda) Alan Waring possesses many years of experience in the Bermuda and London insurance markets, chiefly as an intermediary, having held leadership positions at Arthur J Gallagher, Bermuda, Crump International and International Specialty Brokers. He is the past Chair of the Bermuda Insurance and Reinsurance Brokers Association and former board and committee member of the Insurance Development Council in Bermuda, which became the Bermuda Business Development Agency. He is a member of the Institute of Directors and has been a presenter at various industry conferences, including RIMS, AIRMIC, PRIMA and AAMGA. Alan joined the Board in October, 2018.

Richard J. Warren – Director ^{1,2,4} (United States) Richard J. Warren is the Editor & Publisher of Bangor Daily News in Maine, USA. He is a Commissioner of the Roosevelt Campobello International Park. Past board duties included Associated Press Audit Committee (Chair), Anthem Blue Cross of Maine, ANPA/NAA, University of Maine Board of Visitors, Eastern Maine Medical Center, and Fleet Bank of Maine. Mr. Warren joined the MICL Board in 2007.

Board Committee memberships:

- 1 Executive
 - 2 Audit & Risk
 - 3 Finance & Investment
 - 4 Underwriting
 - 5 Donations
-



Chief and Senior Executives

Joanne Richardson - President and Chief Executive Officer/Chief Underwriting Officer (Bermuda)

Joanne Richardson is a well-regarded veteran in media liability insurance, and was most recently Partner at Hiscox Insurance Company Inc. in New York, New York, and Managing Director of its Media and Entertainment practice before joining MICL in September, 2018. She previously worked at Chubb & Son as the National Accounts Underwriter for Media Liability, and at GE Capital, where she was an Underwriting Officer for Media Liability. She is a graduate of Rutgers College, Rutgers University, and is a Chartered Property and Casualty Underwriter.

Janet A. Carew, CPA, CA – Chief Financial Officer & Chief Risk Officer (Bermuda) Janet Carew is a Chartered Professional Accountant [CA] who began her career in Bermuda with Deloitte in 1986. She has over 30 years' diversified experience in corporate financial reporting, operational risk and project management in the financial services industry. She was formerly CFO at BFM Insurance Group, Director of Finance at Ernst & Young, CFO and Principal of Meridian Corporate Services, Deputy General Manager, St. George's Trust Company, and is a past director of the Bermuda Captive Owners Association. Janet holds a Bachelor of Commerce degree, Major in Finance, from Memorial University of Newfoundland and Labrador. She joined MICL in 2015.

(b) Risk Management and Solvency Self-Assessment

MICL is exposed to a spectrum of risks including insurance, market, credit, liquidity and operational risks. Management of those risks comprises an enterprise-wide approach, which involves defining, monitoring, measuring, and mitigating risks and their inter-relationships.

The Risk Management Framework is a formal structure for risk governance and risk-based decision making that continues to evolve with the business. It involves identification and evaluation of the risks to which MICL is exposed across the organization as well as in specific insurance functions. MICL has articulated its risk appetite and tolerances across functional areas in addition to entity level risk appetites. It is manifest in a system of internal controls which seek to mitigate insurance, financial, strategic and operational risks.

The Risk Register serves as a comprehensive listing of the material risks which MICL has identified and evaluated according to their inherent risks and after their mitigation to arrive at a residual risk rating. Mitigations may be key internal controls or external such as reinsurance. Each risk is assigned to a risk owner, along with mitigation plans where risks are deemed to be in excess of acceptable levels.

The Chief Risk Officer [CRO], together with other members of Executive Management, regularly reviews the status of risks, mitigation plans, emerging or changing risks, and projects to enhance controls. The CRO reports on findings and activity to the CEO and the Audit & Risk Committee.



Internal Audit activities are focused on confirming the effectiveness of controls and mitigation efforts, covering each functional area on a cyclical schedule, and reporting directly to the Audit & Risk Committee.

Semi-annually, the Board reviews a Key Risk Dashboard, which includes the risk description, owner, probability, severity, mitigation and direction in which each risk is trending.

Other components of the Risk Management Framework include:

- Annual capital adequacy reporting
- Capital stress testing
- Annual risk stress tests
- Reinsurance selection policy which evaluates exposures and credit quality of reinsurers
- Directors and Officers, Professional Liability, Crime and Cyber insurance policies purchased by MICL
- Cyber Risk Management Framework as introduced by the BMA effective 2021.

Integration of risk management and solvency self-assessment

MICL has long emphasized the importance of a strong balance sheet to provide cash for prompt claims settlement under its indemnity policies, and a reinsurance program that is limited to highly rated reinsurers (rated A- or better by AM Best or equivalent) to minimize credit risk over the long tail duration of large case reserves. Insurance risks, particularly reserve risks, are the highest rated risks for MICL under both the CISSA and BSCR models, and their management is key to our success.

For strategic and business planning, the chosen CISSA model is considered for weighting alternative strategies, establishing risk limits in existing lines, and risk appetite for prospective products, lines, and diversification strategies.

Solvency self-assessment and capital management

The CISSA model chosen by MICL is based upon the Best Capital Adequacy Ratio due to its emphasis on balance sheet strength. MICL's capital requirements have been determined by our loss and loss expense provisions, and the strength of our reinsurance panel. The nature of media liability claims involves a long tail loss development pattern. Balance sheet strength, directly and indirectly through our reinsurers, is considered key to our risk and capital self-assessment.

(c) Internal Controls

MICL's system of internal controls is an integral part of its Risk Management Framework. These are a collection of structures, practices and procedures designed to provide for the orderly and effective conduct of business activities to ensure:



- Compliance with laws and regulations
- Control and management of business risks
- Quality of accounting and financial information
- Implementation of policies defined by the Board and Senior Management

Key components of the internal control system are summarized below.

All employees and outsource service providers are tasked with internal controls through operational, administrative, and accounting procedures, reporting arrangements at all levels, including a whistleblower policy adopted by the Board, and compliance activities.

Each functional area at MICL – underwriting, claims, finance, human resources, and administration - has a documented set of policies and procedures which include details of roles and responsibilities relating to ownership and performance of internal controls. Risks and controls are assessed in parallel to identify mitigating actions and establish the scoring and monitoring of residual risk.

All employees receive training and guidance from management on the importance of internal controls to support the embedding of a risk-aware culture.

The Audit & Risk Committee plays a key role in reviewing the effectiveness of the internal control systems by carrying out the following activities:

- Evaluating how the Executives ensure the adequacy of accounting and internal systems;
- Receiving reports on the effectiveness of the internal control environment from management;
- Assessing Management’s response to and implementation of internal control recommendations made by the Company’s external and internal auditors.

(d) Internal Audit

The Internal Audit function provides independent assurance to the Board and Audit & Risk Committee. Internal Audit activities are focused on confirming the effectiveness of risk management and control processes that management has put in place. MICL has outsourced its internal audit function in order to maintain independence and objectivity, obtain specialized audit services, and due to financial considerations in staffing this function in a small insurance company.

(e) Actuarial Function

The Company’s loss and loss expense reserves on a US GAAP basis and technical provisions on the BMA’s Economic Balance Sheet (“EBS”) basis are estimated each year by the company’s external



actuarial firm. The external actuarial firm also signs the Loss Reserve Specialist Opinion on the technical provisions, as required by the BMA. The results of the external review are presented to MICL's Audit & Risk Committee, which includes the Chief Financial Officer, and the Underwriting Committee. The Board remains responsible for setting the reserves and technical provisions for the company.

(f) Outsourcing

In addition to the Actuarial function, MICL outsources its claims management as follows:

US General Counsel & Claims Management Law Firm

Whiteford Taylor & Preston, LLP, Washington, District of Columbia, USA

Stephen M. Schaefer (General Counsel, Effective October, 2018)

Stephen Schaefer is an attorney barred in the District of Columbia and the State of Maryland. He is admitted to practice law by the highest courts of those jurisdictions and is also admitted to practice in the United States District Court for the District of Maryland. Since August 1999, Mr. Schaefer has been in the private practice of law. In 1999, he joined O'Brien, Birney and Butler, which with several name changes, was merged into Whiteford Taylor & Preston, LLP in January 2009. Mr. Schaefer represents a number of nonprofit organizations in the United States, including trade associations and professional societies. Mr. Schaefer has been engaged in claims coverage and policy issues related to media perils insurance since 1999 through representation of Mutual Insurance Company Limited.

MICL outsources its portfolio management to:

Conning, Inc.

Hartford, Connecticut, USA

Conning, Inc. is a globally recognized asset management company focusing on the investment needs of the insurance industry. Conning provides investment strategies utilizing a broad range of asset classes and optimal portfolio solutions according to Investment Guidelines approved by and monitored by the Finance & Investment Committee of the Board of Directors.



3. Risk Profile

The Company has an identified taxonomy of risks whose definitions have been derived from a combination of:

- Definitions derived from Bermuda Monetary Authority's Guidance Notes and Insurance Code of Conduct
- Definitions derived from Basel II (Seven Event Types)
- Definitions derived from Deloitte's Risk Intelligence Map

(a) Material risks

MICL's main sources of risk identified are:

Insurance Risk: Underwriting

The risk that inappropriate premiums are charged or that the structure of insurance cover does not align with MICL's risk appetite, caused by changes in emerging experience, insufficient charge for the features offered, inability to price products competitively and/or unsophisticated pricing/underwriting models, , resulting in financial loss.

The Company has developed underwriting policy and guidelines which include specific guidance on risk selection, limit deployment, insured retention, policy wording and endorsement, and pricing. Management review detailed pricing and loss development reports and provide peer challenge at least quarterly. Underwriting discipline is promoted by compensating underwriters based on profitability.

Insurance risk: Reserves

The risk that the technical provisions for claim liabilities arising from past exposure periods will be inadequate to satisfy their ultimate cost, caused by inaccurate or flawed data affecting reserving model, assumptions and parameters, change in claim management and case reserving practices, change in payout pattern and/or incorrect reserving calculation, resulting in financial loss, inability to meet policyholder obligations, regulatory action and reputational damage. Given MICL's media liability business demonstrates a long tail loss development pattern, inadequate reserving practices can have significant impacts on the financial results of future fiscal years.

MICL's reserves comprise specific case reserves, reserves for incurred but not reported losses (IBNR), and a reserve for unallocated loss adjustment expenses (ULAE), net of ceded case and IBNR reserves. Case reserves are recommended by MICL's claims management law firm who estimate



reserves based upon our own and industry experience. These case reserves are subject to regular periodic review by qualified legal personnel. The Loss Reserve committee of senior management reviews and challenges reserves activity and key performance indicators quarterly.

MICL's loss and loss expense reserves on a US GAAP basis and technical provisions on the BMA's Economic Balance Sheet ("EBS") basis are estimated each year by the company's external actuarial firm. The external actuarial firm also signs the Loss Reserve Specialist Opinion on the technical provisions, as required by the BMA. The results of the external review are presented to MICL's Audit & Risk Committee, which includes the Chief Financial Officer. The Board remains responsible for setting the reserves and technical provisions for the company.

Insurance risk: Claims

The risk that the cost of claims adversely differs from that assumed when the obligations were estimated caused by inaccurate assessment against policy terms, ineffective monitoring of claims development and/or reduction in premiums, resulting in financial loss.

The Company employs a claims management law firm that follows policies and procedures established by the Company. This guidance assigns clear responsibilities for new claims coverage determination, periodic review and recommendations on payments, as well as notification to reinsurers. MICL's policies written in Bermuda feature indemnity provisions, which require the insured to defend and pay claims in the first instance. MICL's assumed business includes a duty to defend and aggregated policy limits.

Reinsurance and Reinsurance Credit Risk

There is a risk that reinsurance coverage appropriate to MICL's needs and risk appetite cannot be obtained and/or maintained due to lack of Reinsurance Strategy and inadequate management of reinsurance counterparties, resulting in increased exposure and financial loss and inability to meet policyholder obligations.

MICL retains a London market reinsurance broker to assist with design and negotiation of the reinsurance program, with an established renewal process. Our reinsurance panel is diversified and comprises only A- or better rated reinsurers to manage exposures to credit risk and over dependence on any one reinsurance market. Reinsurer credit ratings and receivable ageing are monitored regularly. The Company notes that one of its BMA license conditions is that we must only place outward reinsurance contracts with reinsurers who are rated A- or better by AM Best or equivalent.

Credit risk is also present with MICL's primary and reinsurance brokers should they not pass on premiums or (re)insurance recoveries in a timely manner. The Company monitors these balances carefully and maintains close ties with brokers in order to resolve any issues quickly. MICL makes claims payments directly to insureds, who must first submit proof of payment per the indemnity terms of our policies.



Market risk: Investment

Market risk is defined as the risk that an event or series of economic events will impact the value of an insurer's assets or liabilities. The most common source of this risk type relates to interest rate changes, market price changes, exchange rate movements and counterparty default (excluding reinsurance and intermediary creditors).

Funds held for reserves are invested in high quality corporate and sovereign bonds. The Company's investment manager operates with clear investment guidelines regarding issuer limits, types of fixed income securities, and credit quality. A proportion of funds is allocated to riskier equity investments.

The Company also performs stress testing based on plausible or historic market events to determine its resiliency to changes such as interest rate hikes, inflation or equity market disruptions. Biannually, the Company reviews a peer analysis to compare its investment allocation practices to other insurers of a similar size and business profile.

Market risk: Liquidity

This market risk includes liquidity demands and liquidity funding risk in both the short and long term. If cash requirements to pay claims rise above cash flows from other sources such as cash balances, premiums, and investment income, the Company must ensure that it will be able to liquidate investments without undue penalty. Therefore, the Company maintains a mix of durations in its fixed income investments appropriate to its liability profile.

Strategic Risks

The following types of strategic risk have been identified as relevant to MICL, for which an action plan is in progress.

- » **Strategic Planning/Execution**
There is a risk that adverse business decisions could be undertaken or improperly executed caused by failure to engage in a formal business planning process, resulting in the loss of financial opportunities, impairment of policyholder satisfaction and reputational damage.
- » **Business Model**
The risk that the inability to maintain the appropriate organizational structure to facilitate decision-making, failure to adequately analyze the competitive landscape, anticipate changes within the media industry and secure desired credit rating, results in potential financial loss, impairment of policyholder satisfaction, and reputational damage.
- » **Corporate Governance**



These are risks arising from lack of Board oversight and challenge, ineffective independent committees, limited exposure to management outside of CEO and CFO, lack of appropriate tone setting by leadership, inappropriate decision making and delegation of authorities, inadequate attention to strategy and executive, failure to articulate mission and values of the organisation, failure to establish risk appetite and inadequate risk oversight, inadequate oversight policies and structures, misalignment of performance metrics with long term strategy and failure to sufficiently incorporate risk management considerations into performance incentives

» **External Factors**

The Company recognizes that as a mono-line insurer focused on the publishing industry sector, it is particularly exposed to external factors such as:

- » **Competition** - inadequate competitive analysis in terms of price, service, or quality;
- » **Customer demands** - changing customer preferences; shifting terms and conditions
- » **Industry trends** - changes in industry structure; macroeconomic changes, cyber threats
- » **Markets** - decreasing market for products

Since reclassification as a Commercial Insurer in 2017, the Company has undertaken a Board level review of its strategy and complementary governance structure that serve the Company's objective of sustaining its capital and operations to serve its stakeholders according to the Company's vision and mission. Governance updates are under review as a result of enhancements to the Insurance Code of Conduct.

An experienced and industry recognized Chief Executive Officer was recruited by the Board to provide guidance and leadership in developing the Company's strategic goals, business model and team. The Executive team is executing strategic plans that evaluate the opportunities and threats of external factors, and a path forward to ensure profitable growth.

Operational Risks

Key operational risks identified include:

» **Cyber and Data protection, delivery and process management**

There is a risk of an inability to ensure physical and logical security of sensitive policy holder information and failure to meet confidentiality and data privacy requirements caused by a failure of IT systems, resulting in policyholder dissatisfaction, confidentiality breach, reputational damage, increased expenses and possibly financial loss.

There is a risk of failure to maintain accurate, complete, timely and appropriate data needed



for decision making caused by inadequate or outdated IT systems, resulting in poor business decisions and possibly financial or reputational loss.

Mitigation actions have included a critical review of existing application systems and implementation of a functionally appropriate insurance administration system. The Company has also addressed data risk with data retention policies, enhanced IT security reviews, regular staff training, and outsourced data and applications storage to a managed cloud platform with a SOC1 qualified vendor. A Disaster Recovery and Business Continuity plan is developed, tested and reviewed annually for enhancement.

» **Regulatory compliance**

There is a risk that the inability to identify, anticipate, respond and adapt to regulatory/legislative requirements and developments, including effectively managing the relationship with the BMA, caused by limited resources will result in regulatory/legislative breach, regulatory action, fines and penalties and reputational damage.

The CEO and CRO share responsibility for monitoring regulatory compliance and providing reports to the Audit & Risk Committee. This includes review of regulatory updates, attendance at insurance industry forums and conferences, and regular management consideration.

The Audit and Risk Committee also receives reports addressing review of and any deficiencies identified by the Internal Auditors and external audit firm.

» **Other operational risks**

Other identified risks include loss of key outsource service providers, talent acquisition and retention, and Key Person reliance. The Company acknowledges that, as a small insurer, there will be some risk in these areas. Mitigations include engagement of a CEO/CUO under a multi-year contract, talent recruitment aimed at functional experience, a Company remuneration policy, benchmarking of staff performance and rewards plans, and a multi-year contract with its key OSP, the claims management law firm.

(b) **Risk relationships, correlations and aggregations**

MICL has a long history of writing media liability insurance and combined with the experienced industry professionals on its executive team, believes this experience will assist in refining the consideration of risk relationships and aggregations. This process includes:

- Approach to determining relationships and correlations
- Risk aggregations and testing of key assumptions



- Measurement of operational risks and mitigation effectiveness

(c) Material risk concentrations

MICL is a mono-line insurer writing media liability risks for publishers, broadcasters, and multi-media companies. This focus has implicated concentration and aggregation risks which we have examined in our strategic plans. We seek to mitigate these risks by robust application of underwriting guidelines, appropriate risk selection, and our reinsurance program. Strategically, we acted on opportunities to diversify our products to adjacent markets such as Entertainment E&O that meet our criteria for risk versus reward, and where we have experience and resources to manage those risks.

(d) Investment of assets in accordance with the prudent person principles of the Insurance Code of Conduct

MICL's investment strategy is conservative. Our objective is to seek market level returns through diversification across a broad range of fixed income instruments and equities, while seeking to preserve capital. Investment guidelines set out permissible investments, credit quality and investment limits, valuation methods, duration target range, reporting of other than temporary impairment, tax considerations, diversification, and asset allocation, and agreed fixed income benchmarks. Any investments outside of these guidelines require the specific approval of the Finance and Investment Committee. The portfolio may not utilize futures, options, swaps or structured notes.

Senior management maintains levels of cash and short term deposits which are sufficient to fulfill the Company's short term obligations, mitigate liquidity risks and meet solvency requirements.

(e) Stress and scenario testing

Currently the stress and scenario testing performed by MICL is as prescribed by the BMA for Class 3A insurers. The results are submitted as part of the Capital and Solvency Return.

The objective of stress testing is to assess the capital adequacy of the Company under adverse financial market and underwriting conditions. More specifically, the purpose of the tests is to assess the impact of the prescribed stress/scenario on the Company's statutory balance sheet (i.e. statutory



admitted assets, admitted liabilities, and capital and surplus). Thus, these tests help determine the financial capacity of the Company to absorb the manifestation of key financial risks, such as shocks to investment performance and projected losses arising from specific underwriting risks.

The Company selected underwriting scenarios which it considered relevant and plausible. The results showed the impact on both statutory assets and liabilities and that would be observed immediately upon the occurrence of the defined stress/scenario (both with and without the effect of reinsurance and/or other loss mitigation instruments). The Company has limited residual exposure due to its robust reinsurance program.

The results of the tests are communicated to the Board of Directors and used by senior management to inform their consideration of risks, aggregations, and correlations in the selection of strategic alternatives, and business plans, and capital management. Based on the latest results, senior management believes that MICL has sufficient capital and liquidity to comply with its policy obligations and regulatory requirements upon experiencing losses within and stressing its risk tolerances.

4. Solvency Valuation

Financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). These are prepared on going concern and historical cost bases, except as modified by the revaluation of investments available for sale, which are measured at fair value.

The Economic Balance Sheet (“EBS”) and the Statutory Financial Statements (“SFS”) as required under Bermuda insurance regulations are used by the BMA and the Company in determining minimum solvency and capital requirements. The EBS differences in valuation are discussed following.

(a) Valuation of assets

Cash and cash equivalents, quoted investments, investment income due and accrued, premiums receivable in the course of collection, and reinsurance balances receivable have been assessed by management to be carried at approximate fair values.

(b) Valuation of liabilities

Technical provisions are determined in accordance with the EBS Technical Provisions Note, and the guidance set out in the Insurance Prudential Standards (Class 3A Solvency Requirement) Rules. In theory, these provisions represent the amount that an insurance company would pay in order to transfer its obligations to another insurer in an arm’s length transaction.



The starting point for technical provisions are the US GAAP undiscounted unpaid loss and loss adjustment expenses (“LAE”), gross and net of reinsurance. The unearned exposure loss and LAE provision is comprised of unpaid loss and LAE amounts relating to the unearned portion of the current book of business as at December 31, 2022, as well as bound policies with an inception date after December 31, 2022 (bound but not incepted (“BBNI”) policies). The historical loss experience is used to project expected loss ratios for BBNI business.

The resulting unpaid loss and loss adjustment expenses estimates are offset by projected future premiums receivable net of expenses, gross and net of reinsurance to calculate the best estimate premium provision associated with the BBNI, gross and net of reinsurance.

These unpaid loss and loss adjustment expenses are then adjusted for the following:

- Estimated uncollectible reinsurance
- Events not in dataset (“ENID”)
- Cash flows arising from expenses that will be incurred servicing existing policies during their lifetime.
- Premium receivables for premiums not yet due.

All provisions are then discounted for the time value of money, at a risk-free rate plus illiquidity premium, and assuming a risk free asset portfolio matched to the liabilities.

A risk margin is then included to reflect the uncertainty inherent in the underlying cash flows.

Technical Provisions

At December 31, 2022, the Technical Provisions for the Company amounted to \$60,811 as set out below.

MIC Ltd.	ACTUAL December 31, 2022 (000's)	ACTUAL December 31, 2021 (000's)
Premium provisions, net of reinsurance	13,875	11,980
Net loss and loss expense provision	41,820	48,516
Risk margin	5,117	6,145
Total technical provisions	60,811	66,640



Table 3 - Technical Provisions

(c) Recoverables from reinsurance contracts

Estimates of recoverables from reinsurance contracts are based on similar principles to the gross best estimates, including cash flows from the gross and net amounts for earned and unearned/BBNI business.

(d) Other liabilities

Insurance and reinsurance balances payable, commissions and accounts payable, which are considered to be short-term payables, and are also assessed by management to be carried at approximate fair values.

5. Capital Management

(a) Eligible Capital

Capital requirements are reported to the Company’s Audit & Risk Committee at least annually. Senior management monitors the adequacy of the Company’s capital on a quarterly basis.

Differences between GAAP members’ equity and available statutory capital and surplus include:

	Equity ACTUAL 2022 (000's)	Equity ACTUAL 2021 (000's)
MIC Ltd.		
Reported under GAAP	68,141	77,106
Adjusted for:		
Non-admitted fixed assets	(994)	(1,339)
Non-admitted prepaid assets	(213)	(153)
EBS valuation adjustments:		
Net technical provisions	(12,483)	(18,879)
Available statutory capital and surplus	54,451	56,735

Table 4 - Reconciliation of GAAP and Statutory Capital

(b) Regulatory Capital Requirements



MIC Ltd.	Minimum Margin of Solvency December 31, 2022 (000's)	Enhanced Capital Requirement December 31, 2022 (000's)
Regulatory requirement	5,578	22,311
Enhanced Capital Requirement ratio		244%
Eligible capital held:		
Tier 1	42,814	42,814
Tier 2	10,704	11,637
Tier 3		
Total	53,518	54,451

Table 5 - Regulatory Capital Requirements

All Tier 1 capital is available to pay policyholder obligations as they become due. The Company has a cash encumbrance of \$11.637 m related to a letter of credit issued as collateral in favour of a ceding insurer, which is classified as Tier 2 capital.

(c) Approved internal capital model used to derive the ECR

The Company uses the BMA's standard approach to capital calculation and does not use an internal capital model.

6. Subsequent Events

In preparing this report, management evaluated subsequent events through April 26, 2023.