
MERCANTILE INDEMNITY COMPANY LIMITED

STRATEGIC REPORT EXTRACT PROVIDING FULL S172 STATEMENT

For the year ended 31 December 2024

PROMOTING THE SUCCESS OF THE COMPANY

The Directors have complied with their responsibilities under Section 172 of the Companies Act 2006 to act in good faith and promote the success of the company for the benefit of shareholders as a whole. In so doing, the Directors have considered the broader matters as set out below.

The likely consequences of any decision in the long term

The Company has a strategy to conduct the run-off of business in a disciplined and professional manner to efficiently discharge the liabilities associated with the business while preserving and maximising its assets for the benefit of the shareholder.

The Company has an appropriate system of Governance in place along with an established risk management framework and internal control system to ensure the long-term success of the Company for the benefit of all stakeholders. A business plan is prepared annually and progress is monitored throughout the year against objectives. The Company has an ORSA policy within which a forward-looking assessment of the Company is maintained and strategic decisions, including capital needs, are assessed in accordance with the risk management framework.

The interests of the Company's employees

The Company, via its outsource provider Enstar, employs and develops a diverse, high calibre workforce. Enstar's success is directly attributable to having a working environment that is collaborative, inclusive and respectful. Enstar actively seeks to understand employees values and what motivates them and reflect this in the way they operate. Oversight of performance and development is managed on an ongoing basis and formalised at least annually. The strategic priorities are cascaded down to individuals within the business through objective setting and monitoring. Enstar's culture, as adopted by the Company, is defined in the Code of Conduct which is provided to all employees.

The need to foster the Company's business relationships with suppliers, customers and others

The Company aims to manage claims in a professional and disciplined manner, drawing on expertise to confirm coverage and settle claims efficiently. The Company strives to pay valid claims to policyholders on a timely basis and has a robust compliance framework which ensures the Company maintains the highest standards of conduct such that policyholders are treated in a fair and honest manner.

The Company works closely with reinsurers, brokers and professional advisors to manage reinsurance recoverables and achieve fair and prompt payment of reinsured claims.

For non-Employers Liability policies the Company continually analyses insurance exposures and reinsurance receivables on a policyholder-by-policyholder basis to identify those we wish to approach to discuss commutation. In addition, policyholders and reinsurers often approach us requesting commutation. We then carry out a full

analysis of the underlying exposures in order to determine the attractiveness of a proposed commutation. From the initial analysis of the underlying exposures, it may take several months, or even years, before a commutation is complete. In certain cases, if we and the policyholder or reinsurer are unable to reach a commercially acceptable settlement the commutation may not be achievable, in which case we will continue to settle valid claims from the policyholder, or collect reinsurance receivables from the reinsurer as they arise or become due.

The management of claims arising from UK Employers Liability policies is outsourced to a firm of industry experts. Enstar closely monitors and manages this relationship through regular oversight meetings and an agile audit plan such that the directors have assurance that the systems, processes and procedures are working effectively, are fit for the purpose and adhere to internal control and compliance requirements.

The Company has a 75% quota share reinsurance arrangement with its immediate parent, Cavello Bay Reinsurance Limited ("Cavello Bay"). The Company has continued to work with Cavello Bay throughout the year to ensure compliance with the reinsurance arrangement and that the Company is able to fulfil obligations, as they fall due, to policyholders.

The impact of the Company's operations on the community and the environment

Through the outsourcing arrangement with Enstar, the Company has a strong culture of supporting its staff in both individual and group volunteering and fundraising initiatives. We believe that our success as a business is based on the need to make a positive investment in both staff and the community. The Company has fully adopted the Corporate & Social Responsibility ("CSR") framework which is how Enstar contributes to and actively makes a difference in both the local and wider community. The aim is to promote staff engagement in working with Enstar to make a positive difference, through engagement with charities and causes that our people have an affinity with; local communities; and the environment as a whole.

The desirability of the Company maintaining a reputation for high standards of business conduct

As a regulated entity, authorised by the PRA and regulated by the PRA and Financial Conduct Authority ("FCA"), the Company complies with mandated regulatory requirements and best practice recommendations. Over and above this the Company seeks to achieve and maintain a reputation for demonstrating a high standard of business conduct. The Company maintains an open dialogue with regulators and key executives actively engage in regular update meetings.

The Company has an Operational Resilience governance framework in place which is regularly reviewed to ensure it meets regulators expectations, and has implemented a framework to comply with the requirements of the Consumer Duty regulation during 2024.

The need to act fairly between members of the Company

As a wholly owned subsidiary of Enstar Group Limited, the Company provides regular reporting to and communication with its ultimate parent, Enstar Group Limited. The strategic direction of the Company is aligned with group objectives.