California Insurance Company, Limited

Disclosure Statement

For the financial year ended 31 December 2025

Disclosure Statement at 31 December 2025

This disclosure statement is prepared in accordance with the requirements under the Insurance (Valuation and Capital) Rules and the Insurance (Public Disclosure) Rules.

1 Company profile

(a) Authorized insurer's name

California Insurance Company, Limited

(b) Nature of the business, and places of business operations

California Insurance Company Limited (the "Company") is authorized to write general and reinsurance insurance business, mainly serving clients in Hong Kong.

The principal activities of the Company are the underwriting of general insurance business classes of accident and health, motor vehicle, Goods in transit, property damage, general liability and pecuniary loss. Such classes include compulsory or statutorily required insurance businesses.

There were no material changes to the Company's business nature, scope or geographical coverage during the reporting year.

(c) Description of corporate structure

The Company is a limited company incorporated and domiciled in Hong Kong and registered under the Hong Kong Insurance Ordinance as duly authorized by Hong Kong Insurance Authority to write certain categories under general insurance business. The registered office and principal place of business of the Company is located Rooms 1607-8, 16th Floor, China Insurance Group Building 141 Des Voeux Road Central, Hong Kong.

The Company are holding in 100% equity of the subsidiary of Harbour Faith International Limited ("Harbour"). Harbour is a limited company incorporated and domiciled in Hong Kong. The principal activity of Harbour is membership holding.

There were no material changes to the Company's corporate structure during the reporting year.

2 Corporate governance framework

The Company has an effective governance system to ensure that there are clear roles and responsibilities throughout the governance structure including the roles of the Board, its committees and the use of non-executive directors, with the effectiveness of the Board and its committees regularly review.

The Company has also appointed Key persons in various business areas (Finance, Risk and Compliance, Actuarial and Intermediary Management).

The Board is responsible for the control of the Company's business, strategic decisions and performance. The Management was delegated the authority and responsibility by the Board for the Company's management.

The Company has ten committees which regularly report to the Board and submit proposals for resolutions by the Board**:**

The Audit Committee is authorized to provide and assist the Board in carrying out its responsibilities relating to financial reporting, internal control and governance in accordance with regulation, legislation and acceptable ethical standards by:

- Ensure management has discharged its duties in establishing and maintaining effective internal control system, financial reporting function and internal audit function.
- Ensure all significant business functions are subject to regular internal audit review.
- Make recommendations to the Board on the appointment, reappointment and removal of external auditors and on the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor.
- Review the adoption of proper accounting policies and ensure that such accounting policies are consistently applied.

The Risk Committee is authorized to provide and assist the Board in carrying out its responsibilities in relation to the oversight of risk management in accordance with law and regulations by:

- Review the effectiveness of Risk Management Framework of the Company.
- Review the risks associated with significant transactions
- To undertake or consider on behalf of the Chairman of the Board or the Board such other related tasks or topics as the Chairman of the Board or the Board may from time to time entrust to it.

The Investment Committee is authorized to assist the Board in carrying out its responsibilities in relation to the oversight of investment management in accordance with law and regulations by:

- Advise the Board to formulate the investment policy appropriate for its capital, surplus, types of business and liquidity needs.
- Monitor the investment results of the Company, regularly review and revise its investment strategies in the light of changes of the market environment.
- Establish and implement investment procedures.

Other Key Committees are authorized by the Board to provide and assist the Board in fulfilling their responsibilities in respect of reinsurance, underwriting, claims, remuneration, nomination, IT and compliance matters.

3 Financial position

(a) Balance sheet determined under the Insurance (Valuation and Capital) Rules

(Unit in HKD thousands)	As at 31 Dec 2025	As at 31 Dec 2024
Total assets	202,840	201,839
Cash and deposits	99,568	95,895
Debt securities	27,802	24,898
Equities (including portfolio investments)	4,260	1,693
Properties	33,200	37,000
Other financial assets	15,818	19,316
Reinsurance assets	21,187	22,732
Other assets	1,005	305
Total liabilities	113,134	117,687
Insurance liabilities	94,204	94,671
Reinsurance liabilities	0	912
Other financial liabilities	14,989	17,789
Other liabilities	3,941	4,315
Net assets	89,706	84,152

Figures may not be additive due to rounding

(b) Material change or other commentary on balance sheet items (if any)

Net assets increased year-on-year as growth in invested assets, mainly cash and deposits and debt securities.

4 Investments

(a) Assumptions and methods used for valuation of investments

The Company's investment assets are measured at fair value and categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair in its entirety, which are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(b) Material change in assumptions and methods, or other commentary on investments (if any

No material changes were made during the reporting year to the assumptions and valuation methodologies applied to investments.

5 Insurance liabilities

(a) Total insurance liabilities determined under the Insurance (Valuation and Capital) Rules

Insurance Liabilities of General Business

(Unit: in HKD thousands)	As at 31 December 2025									
	Direct insurance							Reinsurance		Total general business
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	
Total general insurance liabilities (gross of reinsurance)	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*	*94,204*
Total general insurance liabilities excluding other general insurance liabilities (gross of reinsurance)	*4,827*	*15,156*	*16*	*1,285*	*57,508*	*12,200*	*1,130*	*2,083*	*0*	*94,204*
Outstanding claims liabilities	*254*	*10,507*	*15*	*996*	*43,189*	*11,232*	*228*	*1,953*	*0*	*68,372*
Premium liabilities	*4,355*	*2,926*	*0*	*192*	*10,414*	*518*	*710*	*0*	*0*	*19,116*
Margin over current estimate for outstanding claims liabilities	*7*	*1,271*	*1*	*76*	*3,048*	*390*	*29*	*130*	*0*	*4,953*
Margin over current estimate for premium liabilities	*212*	*452*	*0*	*21*	*857*	*60*	*163*	*0*	*0*	*1,763*
Total general insurance liabilities excluding other general insurance liabilities (net of reinsurance)	4,743	14,619	7	799	46,233	3,927	1,135	1,554	0	73,017

(Unit: in HKD thousands)	As at 31 December 2024									
	Direct insurance							Reinsurance		Total general business
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportion al	
Total general insurance liabilities (gross of reinsurance)	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*	*Not applicable*	*94,671*
Total general insurance liabilities excluding other general insurance liabilities (gross of reinsurance)	*7,173*	*11,620*	*26*	*1,570*	*55,713*	*12,686*	*1,311*	*4.572*	*0*	*94.671*
Outstanding claims liabilities	*289*	*6,823*	*24*	*1,089*	*36,794*	*11,581*	*122*	*4,188*	*0*	*60,910*
Premium liabilities	*6,493*	*3,099*	*0*	*371*	*13,574*	*658*	*1,021*	*0*	*0*	*25,216*
Margin over current estimate for outstanding claims liabilities	*15*	*1,065*	*1*	*87*	*3,694*	*354*	*13*	*384*	*0*	*5,613*
Margin over current estimate for premium liabilities	*376*	*632*	*0*	*24*	*1,652*	*93*	*154*	*0*	*0*	*2,931*
Total general insurance liabilities excluding other general insurance liabilities (net of reinsurance)	7,158	11,452	11	875	44,120	3,143	1,273	3,907	0	71,939

(b) Assumptions and method used to derive the assumptions for determining insurance liabilities

The Company analyzes the claim and premium liabilities, on both gross and net of reinsurance bases, separately for the broad line of business.The valuation is based on actuarial methodologies, incorporating historical claims experience, professional judgement, discounting for the time value of money, and margins for uncertainty.

Claim development triangles have been compiled by accident year. The Company used the following generally accepted actuarial methods and applied them on annual loss development triangles to project the best estimates of the undiscounted ultimate losses for each line of business.

- Incurred Loss Development Method
- Paid Loss Development Method
- Bornhuetter-Ferguson Method using incurred claims data
- Bornhuetter-Ferguson Method using paid claims data
- Expected Loss Ratio Method

The Incurred Loss Development Method for more mature years has been assumed the actual loss experience of the particular accident year while for the immature accident years the Incurred Bornhuetter-Ferguson Method or a blend of methos based on the Expected Loss Ratio Method would be assumed

The assumption for current valuation has placed less reliance on the Paid Loss Development Methos.

The Company have selected the loss development factors based on weighted averages of historical factors, excluding the outliers where appropriate.

The initial expected loss ratio for claim liabilities assumption has been selected based on our market knowledge of the loss performance of the respective segments in Hong Kong, as well as the Company's recent accident years projected ultimate loss ratios.

The Company used the daily method to calculate the UPR for all portfolios. These are generally accepted accounting approaches to reasonably estimate the unearned portion of the risks.

The Company has assumed the undiscounted unexpired risks loss ratios that exclude ULAE. The loss ratios reflect recent experiences. The policy maintenance expenses is selected with reference to other market peers of similar size.

Unallocated loss adjustment expenses ("ULAE") include all claims expenses that cannot be allocated to any one particular claim. The Company made reference to its historical ULAE to gross claims paid ratio. The ULAE reserve held is the same gross or net of reinsurance, as reinsurers typically do not assume a share of ULAE reserves.

To reflect the uncertainties in our estimates, an additional risk margins in the estimated claim and premium liabilities, as provisions for adverse developments. The risk margins were calculated on basis that would be expected to maintain the insurance liabilities of the insurer at a 75% level of sufficiency.

The best estimate of claim liabilities and the expected claims from unexpired risks are discounted based on the prescribed risk-free yield curve as at 31 December 2025 to allow for the time value of money. The Company adopted the HKD spot rates at different durations. Gross and net claim payment patterns derived from paid claim triangles to discount the expected future claim payouts. Assumed that future payments to occur, on average, in the middle of the year.

(c) Material change in assumptions and methods used to derive the assumptions, or other commentary on insurance liabilities (if any)

Comparing the assumption as at 31 December 2025 against prior assumption as at 31 December 2024, the change of insurance liabilities in assumption due to

- Change in claims experience
- Change in loss development assumption
- Change in a prior assumption
- Change in methodology
- Any other reasons not listed above, including any manual adjustments made

6 Financial performance

(a) Financial performance in total and at a segmented level, including premiums, investment returns and claims

Performance Analysis on Premiums and Claims

(Unit: in HKD thousands)	As at 31 December 2025	As at 31 December 2024
Gross premiums	46,156	47,062
Net premiums	43,398	41,810
Gross claims paid	10,510	15,419
Net claims paid	9,194	13.962

Performance Analysis on investment returns

(Unit: in HKD thousands	As at 31 December 2025	As at 31 December 2024
Investment returns	2,933	*Not applicable*

(b) Material change or other commentary on financial performance (if any)

Investment returns increased year-on-year as gain on equity securities and foreign exchange, interest income from bank deposits and certificate of deposits.

(c) Underwriting Results for general business (for pricing adequacy disclosure purposes)

Underwriting Results of General Business

(Unit: in HKD thousands)	For the financial year ended 31 December 2025									
	Direct insurance							Reinsurance		Total general business
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	
Gross premium	19,553	5,850	43	1,222	13,020	2,337	4,132	0	0	46,156
Net premium	19,549	4,745	15	778	12,219	1,960	4,132	0	0	43,398
Net undiscounted best estimate combined business results, relating to current year	5,120	(1,024)	31	336	(622)	504	958	103	0	5,405
Net undiscounted best estimate combined business results, relating to prior year	(157)	84	8	10	3,183	61	(103)	920	0	4,006
Undiscounted underwriting results - profit / (loss)	4,970	(1,130)	39	360	3,333	538	841	1,298	0	10,249

(Unit: in HKD thousands)	For the financial year ended 31 December 2024									
	Direct insurance							Reinsurance		Total general Business
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	
Gross premium	18,543	5,239	49	1,220	16,166	2,255	3,514	76	0	47,062
Net premium	18,538	4,249	17	737	12,831	1,847	3,514	76	0	41,810
Net undiscounted best estimate combined business results, relating to current year	1,632	(3,562)	219	177	7,710	655	285	54	0	7,171
Net undiscounted best estimate combined business results, relating to prior year	(11)	(181)	(8)	1,593	3,231	(355)	(145)	(551)	0	3,573
Undiscounted underwriting results – profit / (loss)	1,606	(4,869)	210	1,678	11,793	(77)	126	(390)	0	10,078

(d) Material change or other commentary on underwriting results (if any)

No material changes were made during the reporting year other than the URR applied to premium liabilities.

7 Capital adequacy

(a) Prescribed capital amount at total level and risk capital amount ("RCA") by sub-risk, determined in accordance with the Insurance (Valuation and Capital) Rules (without applying the transitional arrangement under Part 7 of the Insurance (Valuation and Capital) Rules)

Prescribed Capital Amount

(Unit: in HKD thousands)	As at 31 December 2025	As at 31 December 2024
Market risk (diversified RCA)	**10,948**	**10,627**
Interest rate risk RCA	1,922	1,291
Credit spread risk RCA	2,478	650
Equity risk RCA	759	894
Property risk RCA	8,404	9,339
Currency risk RCA	1,114	1,057
Diversification benefits within market risk	*(3,729)*	(2,603)
General Insurance Risk (diversified RCA)	**21,685**	**31,040**
Reserve and premium risk RCA	16,507	13,883
Natural catastrophe risk RCA	5,030	23,391
Man-made non-systemic catastrophe risk RCA	5,739	5,739
Man-made systemic catastrophe risk RCA	7,254	4,534
Diversification benefits within general insurance risk	(12,845)	(16,506)
Counterparty default and other risk RCA	**2,580**	**4,082**
Diversification benefits among risk modules	(7,689)	(9,102)
Operational risk RCA	**2,381**	**2,368**
Prescribed capital amount	**29,905**	**39,017**

(b) Composition of capital base determined in accordance with the Insurance (Valuation and Capital) Rules

Capital Base

(Unit: in HKD thousands)	As at 31 December 2025	As at 31 December 2024
Unlimited Tier 1 capital	89,706	84,152
Capital base	**89,706**	**84,152**

(c) Ratio of capital base to prescribed capital amount

	As at 31 December 2025	As at 31 December 2024
Ratio of capital base to prescribed capital amount	**299.974%**	**215.682 %**

(d) Material change or other commentary on prescribed capital amount, capital base, and ratio of capital base to prescribed capital amount (if any)

Market risk arises from changes in financial market affecting the Company's assets, liabilities and earnings. Key components include:

- Interest rate risk – losses from changes in interest rates, including to the shape of yield curves.
- Credit spread risk – losses from widening credit spreads.
- Equity price risk – losses from equity price movements.
- Currency risk – losses from exchange rate fluctuations.
- Property price risk – losses from property value changes.

No material changes the total market risk amount due to diversification benefits within market risk.

General insurance risk is the uncertainty around the occurrence, or timing of insurance liabilities. The Company faces risks including:

- Reserve and premium risk – risk in the claims and premium reserves
- Natural catastrophe risk – property and engineering of risk in Hong Kong windstorm
- Man-made non-systemic catastrophe risk – risk in the top exposure and reinsurance protection for man-made non-systemic catastrophe risk.
- Man-made systemic catastrophe risk – risk in exposure and reinsurance protection for man-made systemic catastrophe risk.
- Decrease in Man-made non-systemic catastrophe risk due to reduction in property and engineering business during the reporting year

Counterparty default and other risks cover namely, reinsurance recoverable, reinsurance receivables, outstanding premiums and other assets. The Company monitors past due receivables balances and keeps the balance of past due positions as low as possible.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, system failures or from external events.

As at 31 December 2024 and 2025, the ratio of capital base to prescribed capital amount of California Insurance Company, Limited are 216% and 300% respectively and are above the regulatory requirement of 100%

8 Risk Management

(a) Risk appetite and risk governance framework

Risk appetite of the Company is to maintain a strong balance sheet and sufficient capital to meet its insurance liabilities and always have sufficient liquid assets to meet its liabilities as they fall due. The safe margin always be kept between the Solvency Margin Ratio and the Target Solvency Margin Ratio.

Risk Management is integral to the Company's strategy and operations. The Company operates a rigorous risk management framework designed to promptly identify, measure, manage report and monitor all risk types and associated risks that affect the achievement of strategic, operational and financial objectives. This includes reviewing the Company's risk profile and monitoring risks exposures against the Company's risk appetite as defined by the Board, so that the Company is able to respond to new risks and opportunities and to support risk-based decision making.

The Board defines the Company's risk strategy and appetite, oversight of the risk management framework is provided by the Risk Committee which is authorized by the Board and its purpose is to assist the Board in its oversight of the firm's risk profile and its risk management system.

The Company has appointed Chief Risk Officer to develop methods and process for identifying, measuring, managing, monitoring an reporting risks throughout the Company. The Company manages and mitigates the risks identified within the risk assessment process through specifically identified executive management actions which are tracked and reported.

The Own Risk and Solvency Assessment ("ORSA") is the assessment of the current and future risk profile of the Company and resultant capital requirements including:

- The nature, scale and complexity of the current and likely future risks in the Company's risk profile;
- The Company's solvency position under current and stressed conditions; and
- A forward-looking assessment of the solvency position over the planning horizon.

(b) Insurance risk management

The Company quantifies insurance risk is its SCR calculation and mitigates exposure through reinsurance, underwriting guidance, product design and expense management. As most of business is Hong Kong based, results remain sensitive to HK demographic and economic changes.

Regular monitoring of new and renewal business pricing and technical provisions. The Company also reviews exposure against expectations and risk appetite.
including:

- Reinsurance – arrange reinsurance with renown reinsurers on most of insurance businesses.
- Underwriting guidance – underpins risk management across product design, approval and underwriting processes. Lines of businesses are regularly reviewed for suitability

The Company avoids concentration risk through scale, product diversity and limits. Facultative and treaties reinsurance are used to transfer exposures or accumulations.

(c) Investment risk management

The Company's objective of investment is to ensure the asset being held in various forms of investment is adequate and sufficiently liquid to meet liabilities promptly at all times. The investment portfolio gives stable growth and more important to maintain a buffer above the statutory solvency margin at all times for prudent risk and capital management.

The Company adheres to a stable and prudent investment strategy. The Company's investment position is in line with Risk Appetite Statement ("RAS") and Guideline on Asset Management by Authorized Insurers ("GL13")

- Protect the capital base from catastrophic investment losses
- Align the duration and cash flows of the investment portfolio with the expected timing and amount of insurance claim payouts.
- Ensure sufficient cash or lightly liquid assets are available to meet sudden, large claim spikes without selling assets a loss.
- Generate consistent yield and capital gains to support underwriting activities and enhance corporate profitability.

The Company monitors its investment exposures, in aggregate across all classes of financial instruments, to individual issuers and geographies not exposed to

significant risk concentrations.
The Company newly invested a small amount in unlisted money market fund to maximum the return during the reporting year. It's diversified exposure to a range of securities is compliant with our strategy and appetite. The Board and the Investment Committee are closely monitoring it.

The Board has the core responsibility for formulating and assuring implementation of the investment policy and strategies are deployed and the investment portfolio of the Company are closely monitored.

Investment Committee advises the Board to formulate the investment policy appropriate for its capital, surplus, types of business and liquidity needs. Committee ensure the Guideline on Asset Management by Authorized Insurers ("GL13) is observed. Establish and implement investment procedures. The Committee review and agree with their services level agreements when investment manager or professional are engaged.

(d) Other risk management

The Company operates a well-established system of governance. The system of governance ensures that there are clear roles and responsibilities throughout the governance structure including the role of the Board, its committees and the use of non-executive directors, with the effectiveness of the Board and its committees reviewed on an annual basis.

The system of governance and oversight has not changed and is considered appropriate for the nature and scale of the Company's business.

9 Statement of Compliance

(i) I am satisfied with the completeness, accuracy and consistency of the information disclosed in this disclosure statement in respect of California Insurance Company, Limited;
(ii) I am satisfied that the information in this disclosure statement is prepared in accordance with the Insurance (Public Disclosure) Rules and the Insurance (Valuation and Capital) Rules (subject to any variation or relaxation applied thereto);
(iii) I am satisfied that the information in this disclosure statement can be reconciled with the relevant specified annual forms, on each of which an auditor's report is provided, of California Insurance Company, Limited's annual returns for the financial year to which this disclosure statement relates, as submitted under rule 4(1) of the Insurance (Submission of Statements, Reports and Information) Rules; and
(iv) I am satisfied that California Insurance Company, Limited has complied with all capital requirements that apply to it under the Insurance (Valuation and Capital) Rules (as relaxed or varied, if applicable), during the financial year to which this disclosure statement relates.

Name:	**Kwan Yiu Keung**
Position:	**Chief Executive Officer**
Company Name:	**California Insurance Company, Limited**