TOKIO MARINE
HCC

# Tokio Marine Europe S.A.

Solvency and Financial Condition Report

31 December 2023

# Contents

# Executive Summary

The following Solvency and Financial Condition Report (SFCR) has been prepared to provide information to the Commissariat aux Assurances (CAA) about the financial and capital position of Tokio Marine Europe S.A. (TME). This report sets out the Business and Performance, System of Governance, Risk Profile, Valuation of Assets and Liabilities for Solvency Purposes and Capital Management of TME.

## *Business & Performance Summary*

TME is a wholly owned subsidiary of HCC International Insurance Company plc (HCCII), a United Kingdom (UK) Insurance Company, which is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA).

HCCII and its subsidiaries, including TME, form part of the Tokio Marine Group (TM Group), whose ultimate holding company is Tokio Marine Holdings, Inc. TM Group is a leading international insurance group located in Tokyo, Japan which has 268 subsidiaries, and 26 affiliates located worldwide, which undertake non-life and life insurance and operate within the financial and general business sector (including consulting and real estate). TME carries an A+ Standard & Poor's Financial Services LLC (S&P) financial strength rating, is headquartered in Luxembourg and is approved by the CAA to underwrite general insurance and reinsurance throughout Europe with branch offices in Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Spain and the UK.

TME was established in response to the UK's vote to leave the European Union (EU) which resulted in the UK's exit from the EU on 31 January 2020.

A summary of the key financial information for the years ending 31 December 2023 and 31 December 2022 for TME can be seen below:

| TME | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Gross written premium (GWP) | 642,895 | 607,636 |
| Net earned premium | 220,115 | 201,014 |
| Underwriting result (Technical Account pre-investment income) | 69,608 | 17,396 |
| Net loss ratio | 34.3% | 59.7% |
| Net combined ratio | 68.4% | 91.3% |
| Investment income (transferred to technical account) | 11,338 | 6,457 |
| Profit on ordinary activities before tax | 67,351 | 4,712 |
| Solvency II Cash and investments | 532,320 | 500,025 |
| Solvency II Own Funds | 293,338 | 225,334 |

TME made a net profit before tax for the financial year of $67 million (2022: $5 million). The increase in profit is driven top-line growth, benign catastrophe losses and favourable net attritional loss activity, in addition to positive investment income. The balance on the technical account for general business is $81 million (2022: $24 million) which includes investment income of $11 million (2022: $7 million). Investment income transferred to the technical account is comprised principally of earned investment income.

The balance on the technical account excluding investment income is $70 million (2022: $17 million), with TME achieving a combined ratio of 68% (2022: 91%).

Section A provides further details about TME's business structure, key operations and financial performance over the reporting period.

## *System of Governance Summary*

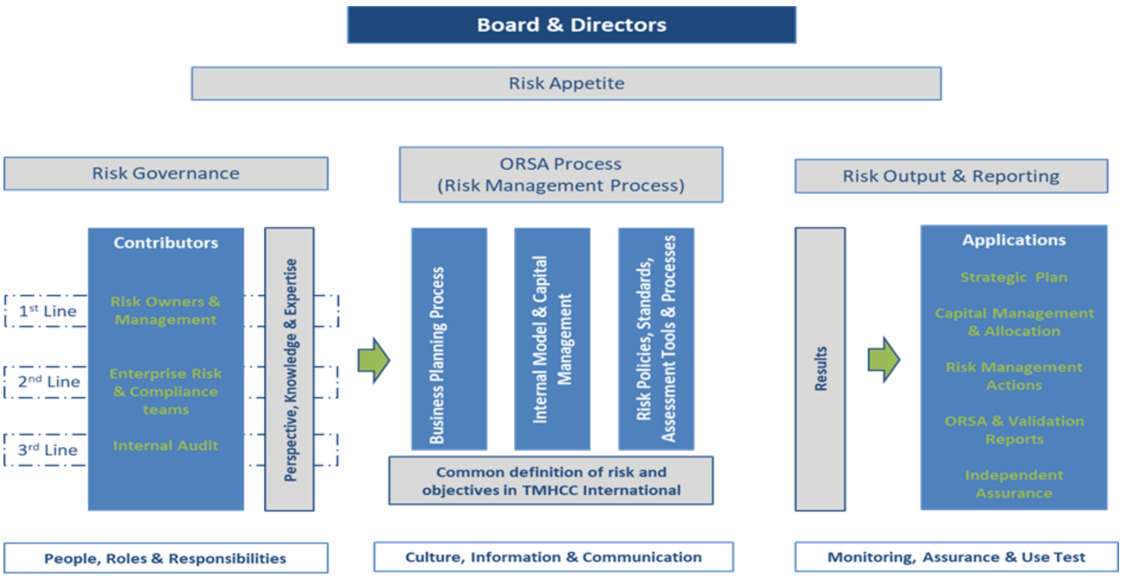
All authority in TME flows from the Board but it delegates certain responsibilities to Board committees and these duties are set out in their respective terms of reference. Each year the overall governance structure and the terms of reference are reviewed to ensure they remain both up to date and appropriate.

TME believes that a strong, effective and embedded risk management framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. TME achieves this through a strong risk culture articulated by effective Enterprise Risk Management (ERM) senior leadership and embodied by management at all levels through its governance structure and risk management processes.

TME's strategy for managing its risk is to: i) adopt an integrated approach to risk management through the processes and structures detailed in the Risk Strategy & Risk Management Policy; ii) accept that whilst the business operation cannot be risk free, we will aim to manage risk to a desired level and minimise the adverse effects of any residual risk; iii) coordinate the management of risk via the Risk, Capital & Compliance Committee (RCCC) and other committees that report to the Board; iv) manage risk as part of normal line management responsibilities and provide funding to address 'risk' issues as part of the normal business planning process; v) ensure that there are appropriate policies and procedures in place that are communicated to and followed by managers and staff to minimise risk; and vi) ensure that staff are appropriately trained.

TME operates a 'three line of defence' risk governance framework which means that we coordinate risk holistically ensuring that all types of risk are prioritised and analysed both in absolute and relative terms.

The diagram below illustrates the various facets of our risk framework; how these interact with one another and the responsibilities of those staff in the first, second and third line of defence.




A key element of the risk management framework is the Own Risk and Solvency Assessment (ORSA) process. TME has adopted a working definition of the ORSA to be 'the entirety of the processes and procedures employed to identify, assess, control and report the short and longer term risks faced by the business and to determine the assets necessary to ensure that the overall capital needs (solvency and economic) are met at all times'. The ORSA considers risk, capital performance and strategy. It relies on the contribution of existing business processes and the monitoring tools of the risk management framework to provide Executive Management with adequate and accurate information enabling the taking of key decisions regarding the overall risk and capital profile of the business.

Section B describes the system of governance by which the operations of the TME are overseen, directed, managed and controlled and explains how TME complies with the requirements of Solvency II.

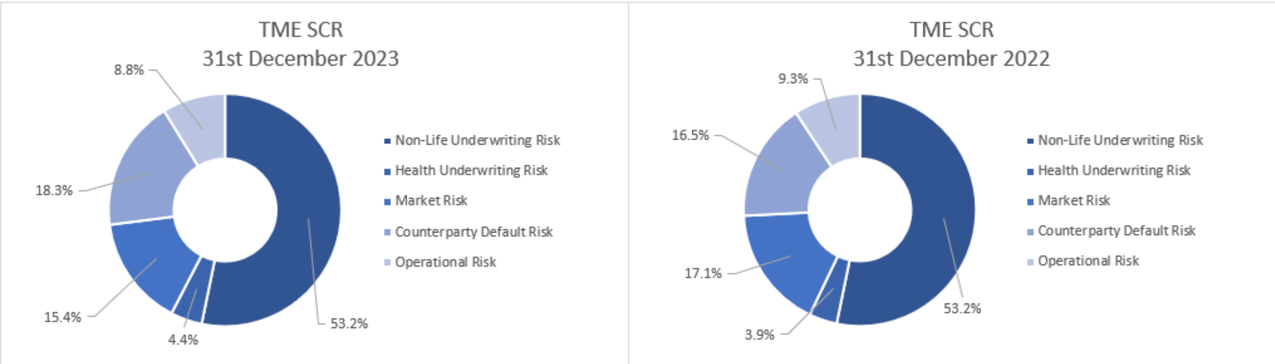
## *Risk Profile Summary*

TME has identified the risks arising from its activities and has established policies and procedures to manage these risks in accordance with its risk appetite. TME maintains a risk register and categorises its risks into six areas: Insurance, Strategic, Regulatory and Group, Market, Operational, Credit and Liquidity.

The key risks for TME are Underwriting risk, followed by Market risk and Counterparty risk. This is illustrated, via the Standard Formula Solvency Capital Requirement (SCR) breakdown shown in the charts below, noting that Non-Life Underwriting risk and Health Underwriting risk make up Insurance Risk.

In absolute terms, TME has seen increases in Underwriting risk in the year, principally driven by continued growth in the business. However, as shown in the diagrams below, this has remained proportionally in line with the prior year in percentage terms.

Further detail supporting these diagrams can be found in Section E.




The risk profile of TME was generally stable over the year. Specific risks, beyond the existing and established principal risks, that have the potential to impact, or require a review of, the existing strategic objectives include sustainability risk (including climate change), inflation, outsourcing and supplier management.

## *Valuation for Solvency Purposes Summary*

The Solvency II Directive (Article 75) requires that an economic, market consistent approach to the valuation of assets and liabilities is taken. The basis of preparation of the assets and liabilities for solvency purposes is aligned with the basis of preparation of the Luxembourg statutory financial statements, unless otherwise documented in the main body of the report.

The table below summarises the differences between the Solvency II balance sheet and the Luxembourg Generally Accepted Accounting Practice (LUX GAAP) Balance sheet:

| BALANCE SHEET UNDER SOLVENCY II<br>31 Dec 2023 | TME<br>LUX GAAP | TME<br>Solvency II |
|---|---|---|
| **ASSETS** | | |
| Investments | 515,517 | 507,284 |
| Deferred tax assets | - | - |
| Deferred acquisition costs | 48,050 | - |
| Property, plant & equipment held for own use | 1,755 | 1,755 |
| Reinsurance recoverables from non-life | 916,229 | 650,646 |
| Insurance and intermediaries receivables | 167,871 | 75,767 |
| Reinsurance receivables | 133,738 | 119,717 |
| Receivables (trade, not insurance) | 40,542 | 40,542 |
| Cash and cash equivalents | 25,035 | 25,035 |
| Any other assets, not elsewhere shown | 4,675 | 473 |
| **Total assets** | **1,853,412** | **1,421,219** |
| | | |
| **LIABILITIES** | | |
| Technical provisions – non-life | 1,195,014 | 818,476 |
| Deferred tax liabilities | - | 7,913 |
| Insurance & intermediaries payables | 31,253 | 31,253 |
| Reinsurance payables | 125,678 | 87,650 |
| Payables (trade, not insurance) | 182,589 | 182,589 |
| Any other liabilities, not elsewhere shown | 43,590 | - |
| **Total liabilities** | **1,578,124** | **1,127,881** |
| | | |
| **Excess of assets over liabilities** | **275,288** | **293,338** |

The differences in technical provisions, reinsurance recoverables from non-life, investments and deferred acquisition costs (DAC) are principally driven by differences in valuation methodologies between LUX GAAP and Solvency II, while differences in some investments and receivables are as a result of classification differences.

The only area where significant assumptions and judgments have been applied in the valuation process for the Solvency II balance sheet is in respect of the technical provisions. These assumptions and judgements are detailed in Section D2.

Section D includes information on the valuation basis adopted for each class of assets and liabilities and provides an explanation of valuation differences arising when moving from the valuation basis used in the LUX GAAP financial statements to the Solvency II valuation basis.

## *Capital Management Summary*

TME currently uses the Standard Formula to calculate the SCR.

TME remains well capitalised and benefits from an S&P rating of A+. All the Solvency II Own Funds at 31 December 2023 as shown in the table below fall under 'Tier 1 unrestricted' classification.

| Eligible own funds to cover capital requirements $'000 | TME 2023 | TME 2022 |
|---|---|---|
| Solvency II Own Funds | 293,338 | 225,334 |
| SCR | 211,494 | 181,115 |
| Minimum Capital Requirement (MCR) | 52,873 | 45,279 |
| Excess Own Funds over SCR | 81,844 | 44,219 |
| Excess Own Funds over MCR | 240,465 | 180,055 |
| Coverage ratio (Solvency II Own Funds / SCR) | 139% | 124% |
| Solvency II Own Funds as a percentage of MCR | 555% | 483% |

The coverage ratio increased from 124% to 139% in the year driven by operating profit following growth in profitable business, particularly in Treaty Reinsurance, and unrealised gains driven by the market expectations of interest rate decreases in 2024. This is offset by an increase in the SCR as a result of increases in catastrophe risk and premium risk, resulting from a small rise in budgeted Property premiums.

There were no instances of non-compliance with the MCR or SCR during the year.

Section E further describes the policies and processes employed by TME for managing its Own Funds and provides information on the structure of Own Funds and calculation of SCR.

# Section A – Business and Performance

## *A1 – Business*

### *Business Structure*

TME is a non-life insurance company incorporated on 8 February 2018 as a public limited liability company subject to the general company law of Luxembourg. TME is authorised under the law on the insurance sector of 7 December 2015 and supervised by the CAA.

TME is a wholly owned subsidiary of HCCII, a UK Insurance Company. HCCII is authorised by the PRA and regulated by the FCA.

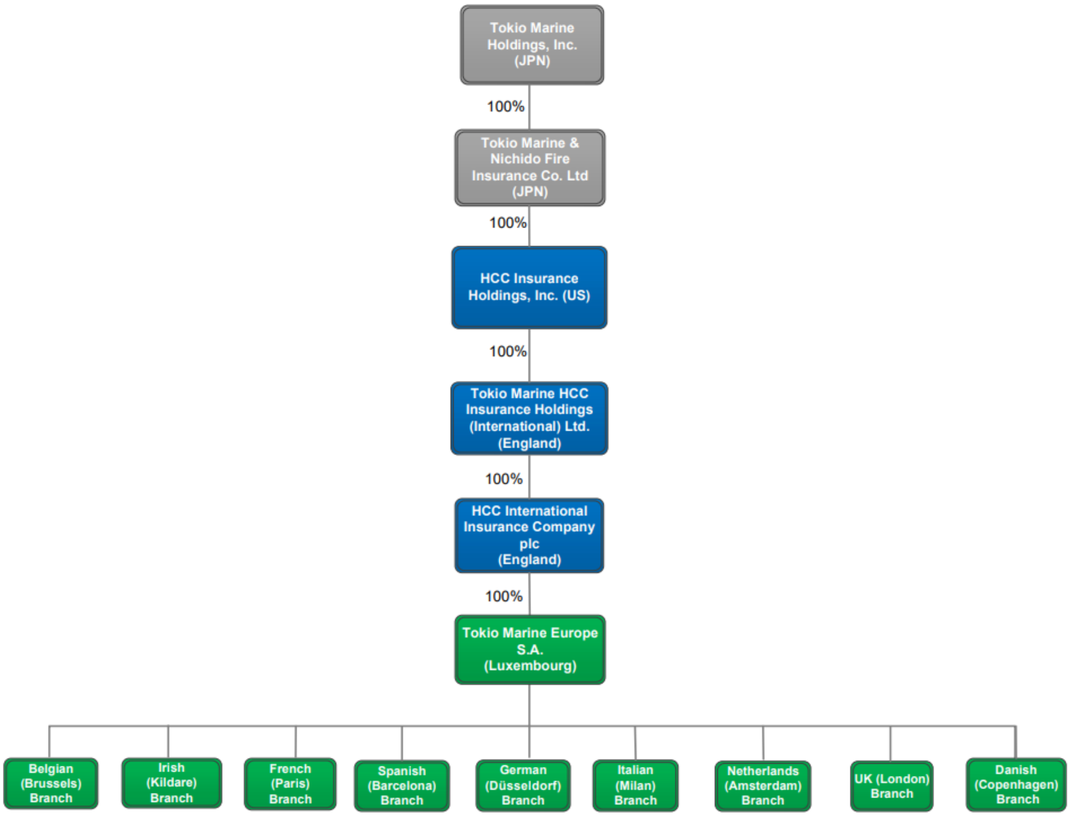
HCCII and its subsidiaries, including TME, form part of the TM Group, whose ultimate holding company is Tokio Marine Holdings, Inc. TM Group is a leading international insurance group located in Tokyo, Japan which has 268 subsidiaries, and 26 affiliates located worldwide, which undertake non-life and life insurance and operate within the financial and general business sector (including consulting and real estate). As of 31 December 2023, TM Group had total assets of ¥30 trillion (December 2022: ¥29 trillion) and shareholders' equity of ¥2 trillion (December 2022: ¥2 trillion). TM Group and a number of its major insurance companies have a financial strength rating of A+ (Stable) from S&P.

HCC Insurance Holdings, Inc. (TMHCC Group) is a subsidiary within the TM Group based in the United States and is a leading international specialty insurance group with more than 100 classes of specialty insurance, underwriting risks located in approximately 180 countries. Given its financial strength and track record of excellent results, it benefits from an S&P rating of A-.

Located in the UK and Europe, TMHCC International (illustrated by the structure chart below) is TMHCC Group's operating segment outside of the US. TMHCC International underwrites business on four different insurance platforms: HCCII, its wholly owned subsidiary TME, HCC Syndicate 4141 (a wholly aligned Lloyd's syndicate) and Houston Casualty Company (London Branch). The platform used is based on prescribed rules and client choice if licensing permits.

TME's parent HCCII is the flagship entity for TMHCC International. TME has a standalone S&P rating of A+.

## TME Legal Structure




TME was established in response to the United Kingdom's vote to leave the EU which resulted in the UK's exit from the EU on 31 January 2020. In 2018, HCCII established and received regulatory authorisation for TME and its European branches. A legal Part VII portfolio transfer process between HCCII, Tokio Marine Kiln Insurance (TMKI) and TME transferred insurance and reinsurance contracts from HCCII and TMKI European branches to TME effective as at 1 January 2019 together with the transfer of all branch employees. The transfer was effected through TME issuing one share each to TMKI and HCCII. Since 2019, TME has underwritten new and renewal business and continues to be well positioned to continue to support TMHCC International, as a strong underwriting platform to support EEA risks across a few classes of business.

TME's business is underwritten through its branches in Spain, Ireland, France, Germany, Italy, Denmark, Belgium, Norway, Netherlands and on a freedom of services basis in the remaining EU member states. Following the UK's exit from the EU on 31 January 2020 and the end of the transition period on 31 December 2020, from 1 January 2021 any European Economic Area (EEA) risks presented in the London Market and/or previously written by the UK branch, have been written by TME's EEA branches, utilising the expertise of the specialist underwriters in the UK through the TME UK branch. With effect from 29 September 2022, TME UK branch has been authorised as a third country branch. In January 2024, notifications for the closure of the Norwegian branch were duly submitted to both Norwegian Authorities and the CAA. The Norwegian Business Registry has completed the deregistration process of the Norwegian branch, and the branch was officially removed from the registry on 25 January 2024.

TME also serves as a platform for other TM Group companies including Tokio Marine & Nichido Fire (TMNF) to underwrite Property, Marine, Casualty, Aviation and Contingency lines. However, these lines of business (LOB) generally have a zero net retention on TME with business ceded via 100% quota share (QS) and facultative intra-company reinsurance arrangements.

Information relating to the business model and strategy is included in the Directors' Report within the TME S.A. Annual Accounts.

## A2 Underwriting Performance

A summary of key financial information for the year ended 31 December 2023 and prior year, for TME can be found below:

| TME | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Gross written premium | 642,895 | 607,636 |
| Net earned premium | 220,115 | 201,014 |
| Underwriting result (technical account pre-investment income) | 69,608 | 17,396 |
| Net loss ratio | 34.3% | 59.7% |
| Combined ratio | 68.4% | 91.3% |
| Investment income (transferred to technical account) | 11,338 | 6,457 |
| Profit on ordinary activities before tax | 67,351 | 4,712 |
| Solvency II Cash and investments (excluding investment in subs and land and buildings) | 532,320 | 500,025 |
| Solvency II Own Funds | 293,338 | 225,334 |

TME made a net profit before tax for the financial year of $67 million (2022: $5 million). The increase in profit is driven top-line growth, benign catastrophe losses and favourable net attritional loss activity, in addition to positive investment income. The balance on the technical account for general business is $81 million (2022: $24 million) which includes investment income of $11 million (2022: $7 million). Investment income transferred to the technical account is comprised principally of earned investment income.

The balance on the technical account excluding investment income is $70 million (2022: $17 million), with TME achieving a combined ratio of 68% (2022: 91%).

The non-technical account includes other charges valuing $14 million (2022: $19 million) including a foreign exchange loss of $4 million (2022: loss of $13 million) and $10 million corporate oversight charges (2022: $6 million).

For details of 'Other income / (charges)', please see section A4.

### Underwriting Performance by Line of Business

TME manages its products through three segments, International Specialty, London Market and Japanese Business (J Business). International Specialty is comprised of Professional Risks, Financial Lines, Credit and Political Risk, Surety, and Contingency. London Market business is comprised of Delegated Property; Treaty Reinsurance; Property Direct & Facultative and Accident & Health; and Marine and Energy. The J Business segment consists of commercial insurance coverage provided to Japanese corporate clients in respect of their overseas business interests.

The Specialty segment achieved a net profit of $38 million in 2023 (2022: $15 million), reflecting significant top-line growth flowing through to earnings. Included in the segment is a loss of $4 million (2022: loss of $2 million) on other run-off business due to intercompany commissions.

The London Market segment delivered a net profit of $28 million (2022: loss of $2 million) due to a benign year for natural catastrophes, favourable experience on prior year losses, as well as growth across the majority of London Market lines.

The J Business segment contributed $4 million (2022: $5 million) to the technical results, a reduction of 25%. Given the nature and complexity of the J Business and its importance to the larger global portfolio, the business is fully ceded to TMNF and the contribution to the technical result represents the overrider which is set to achieve a net profit for TME, covering the acquisition and operating costs of the business.

A summary of the underwriting result for TME by LOB for the year ended 31 December 2023 and prior year, is as follows:

| TME | 31 Dec 2023 Net earned premium $'000 | 31 Dec 2023 Underwriting result $'000 | 31 Dec 2022 Net earned premium $'000 | 31 Dec 2022 Underwriting result $'000 |
|---|---|---|---|---|
| **Specialty** | | | | |
| Financial Lines | (25) | 11,967 | 160 | 9,502 |
| Surety | 41,690 | 17,788 | 44,737 | 3,805 |
| Contingency & Disability | 17,207 | 5,287 | 16,651 | 2,118 |
| Credit & Political Risk | 16,544 | 3,567 | 13,342 | 48 |
| Professional Risks | 12,375 | 2,448 | 10,617 | 1,917 |
| Other Specialty | 34,301 | (2,874) | 30,575 | (2,494) |
| **Total Specialty** | **122,092** | **38,183** | **116,082** | **14,896** |
| **London Market** | | | | |
| Treaty Reinsurance | 34,906 | 16,420 | 25,076 | 492 |
| Marine & Energy | 35,100 | 6,801 | 34,157 | 2,862 |
| Delegated Property | 10,390 | 1,946 | 7,510 | (130) |
| Property Direct & Facultative and Accident & Health | 17,627 | 2,418 | 18,189 | (5,240) |
| **Total London Market** | **98,023** | **27,585** | **84,932** | **(2,016)** |
| **Total J Business** | **-** | **3,840** | **-** | **4,516** |
| **Total** | **220,115** | **69,608** | **201,014** | **17,396** |

## Underwriting Performance by Solvency II LOB

Solvency II requires sixteen different product classifications which are classified differently to how the business is managed.

The following table provides insight to the mapping of business between TME LOBs, and Solvency II LOBs.

The Solvency II LOB is applied at an individual policy level, meaning that Solvency II LOBs, can be found across multiple TME LOBs. Likewise, the following is not an exhaustive mapping between TME and Solvency II LOBs.

| TME LOB | Solvency II LOB |
|---|---|
| Financial Lines | Direct & Proportional General liability insurance<br>Non-proportional casualty reinsurance |
| Surety | Direct Credit and suretyship insurance<br>Non-proportional property reinsurance |
| Contingency & Disability | Direct & Proportional Income protection insurance<br>Non-proportional health reinsurance |
| Credit & Political Risk | Direct Credit and suretyship insurance |
| Professional Risks | Direct General liability insurance |
| Other Specialty | Direct Miscellaneous financial loss<br>Direct Income protection insurance<br>Non-proportional health reinsurance |
| Property & Treaty Reinsurance | Non-proportional property reinsurance<br>Direct & Proportional Fire and other damage to property insurance |
| Energy & Marine | Direct & Proportional marine, aviation and transport insurance<br>Non-proportional marine, aviation and transport reinsurance |
| Delegated Property | Direct & Proportional Fire and other damage to property insurance |
| Property Direct & Facultative, Accident & Health | Non-proportional health reinsurance<br>Direct & Proportional Income protection insurance<br>Direct & Proportional Medical expense insurance<br>Non-proportional property reinsurance |
| J Business | Direct & Proportional Fire and other damage to property insurance<br>Direct & Proportional marine, aviation and transport insurance<br>Non-proportional marine, aviation and transport reinsurance |

The GWP and underwriting results of the top five Solvency II lines, for the years ending 31 December 2023 and 31 December 2022 for TME, is as follows:

| TME<br>31 Dec 2023 | General liability insurance<br>$'000 | Marine, aviation and transport<br>$'000 | Fire & other Damage to Property<br>$'000 | Credit and suretyship insurance<br>$'000 | Non-Prop Property<br>$'000 | Other<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|---|---|
| **Gross written premium** | **206,763** | **138,738** | **90,691** | **70,210** | **60,854** | **75,639** | **642,895** |
| Net earned premium | 11,532 | 67,899 | 25,004 | 50,058 | 38,548 | 27,074 | 220,115 |
| Net claims | (9,397) | (29,723) | (9,184) | (13,545) | (598) | (12,959) | (75,406) |
| Net expenses | 4,413 | (27,895) | (12,592) | (18,951) | (16,973) | (3,102) | (75,101) |
| **Underwriting result** | **6,548** | **10,281** | **3,228** | **17,561** | **20,976** | **11,013** | **69,608** |

| TME<br>31 Dec 2022 | General liability insurance<br>$'000 | Marine, aviation and transport<br>$'000 | Fire & other Damage to Property<br>$'000 | Credit and suretyship insurance<br>$'000 | Non-Prop Property<br>$'000 | Other<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|---|---|
| **Gross written premium** | **216,621** | **124,663** | **96,881** | **53,762** | **40,543** | **75,165** | **607,636** |
| Net earned premium | 10,014 | 64,427 | 17,137 | 49,164 | 33,109 | 27,165 | 201,014 |
| Net claims | (5,176) | (18,564) | (14,973) | (31,733) | (16,630) | (30,716) | (117,793) |
| Net expenses | (695) | (22,885) | (9,342) | (15,087) | (10,266) | (7,551) | (65,826) |
| **Underwriting result** | **4,143** | **22,978** | **(7,179)** | **2,344** | **6,212** | **(11,103)** | **17,396** |

**General Liability**

This class is comprised principally of portions of Professional Risks and the Directors and Officers component of Financial Lines business.

<u>Professional Risks:</u> includes Professional Indemnity and Liability gross premiums written totalling $13 million (2022: $13 million) which is broadly in line with the previous year.

<u>Financial Lines:</u> gross premiums written decreased to $195 million (2022: $206 million) driven by reduced activity in M&A, affecting the Transaction Risk Insurance (TRI) business and a challenging rate environment across Financial Lines more broadly. This is partly offset by continued growth in the Cyber book.

**Marine, Aviation and Transport**

This class is comprised principally of Marine and Energy LOBs and a portion of J Business (Other portion of J Business falls in the 'Property' and 'Other' categories detailed below).

<u>Marine & Energy</u>: gross premiums written was $72 million (2022: $79 million). This business includes Marine Hull, Cargo and Liability along with traditional and renewable GCube Underwriting Limited (GCube) Energy lines. The majority of lines have benefited from modest premium growth as a result of a favourable ratings environment. This has been more than offset by a decline in GCube due to increased competition in this market.

**Fire and other Damage to Property Insurance & Non-Proportional Property**

The property LOB includes Treaty Reinsurance, Delegated Property, Surety and Property Direct and Facultative LOBs.

<u>Treaty Reinsurance:</u> gross premiums written were $55 million (2022: $36 million) and the portfolio is comprised principally of Non-US excess of loss reinsurance business. The strategy of participation on high programme layers and strong client relationships creates

a competitive advantage and combined with a sustainable reinsurance programme is producing profitable results. The year on year growth reflects favourable market conditions and an increase in the business deploying more capital.

Delegated Property: was a new LOB in 2020, writing $12 million in 2023 (2022: $11 million). This business primarily consists of risk attaching binders and is expected to continue to grow.

J Business: gross premiums written were $131 million (2022: $119 million) of Japanese Property; Marine & Aviation; and Liability business, with the increase primarily driven by rate increases.

**Credit and Suretyship**

This class of business is comprised principally of the Credit and Political Risk and Surety LOBs.

Credit & Political Risk: gross premiums written increased to $19 million (2022: $15 million) driven by positive market conditions.

Surety: GWP was $61 million (2022: $45 million) reflecting the positive ratings environment and growth in high value policies.

Contingency: gross premiums written increased to $45 million (2022: $41 million) continuing the recovery from the impact of the Covid-19 pandemic and TME's prudent approach.

**Other**

This comprises principally Non-proportional Marine business (including a portion of J Business), Income protection, Non-Proportional Health, worker's compensation and Miscellaneous Financial Loss.

## Underwriting Performance by Solvency II Geographic Location

In conformity with Solvency II requirements whereby the 'geographic location' is defined by either underwriter or risk location dependent upon type of business, the following table provides the GWP and underwriting results of the Luxembourg and top 5 locations by geographic location, for the year ended 31 December 2023 and prior year:

| 31 Dec 2023 | Luxem-Bourg $'000 | Spain $'000 | France $'000 | Germany $'000 | Belgium $'000 | Italy $'000 | Other[1] $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Gross written premium** | **4,883** | **182,680** | **98,453** | **105,446** | **34,089** | **45,225** | **172,119** | **642,895** |
| Net earned premium | 5,067 | 20,009 | 64,190 | 29,573 | 6,589 | 17,991 | 76,696 | **220,115** |
| Net claims | (2,479) | (23,260) | (36,804) | (9,140) | (299) | (3,490) | 65 | **(75,406)** |
| Net expenses | (1,460) | 81 | (26,406) | (5,894) | (1,656) | (2,224) | (37,541) | **(75,100)** |
| **Underwriting result** | **1,129** | **(3,171)** | **980** | **14,539** | **4,634** | **12,277** | **39,220** | **69,608** |

*[1] Material countries within 'Other' include Netherlands, United Kingdom and Ireland with GWP of $33 million, $31 million and $26 million respectively. Thereafter, there are a number of smaller countries equate for the remaining 10% of GWP.*

| 31 Dec 2022 | Luxem-bourg $'000 | Spain $'000 | France $'000 | Germany $'000 | United Kingdom $'000 | Italy $'000 | Other[1] $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Gross written premium** | **4,020** | **188,691** | **87,494** | **98,376** | **50,121** | **34,278** | **144,657** | **607,636** |
| Net earned premium | 507 | 17,558 | 57,439 | 29,283 | 22,222 | 12,028 | 61,977 | 201,014 |
| Net claims | (6,097) | (37,626) | (14,214) | (28,210) | (16,894) | (3,431) | (11,321) | (117,793) |
| Net expenses | (772) | 1,171 | (22,811) | (1,583) | (12,452) | (1,604) | (27,775) | (65,826) |
| **Underwriting result** | **(6,362)** | **(18,897)** | **20,414** | **(510)** | **(7,124)** | **6,993** | **22,881** | **17,396** |

*[1] Material countries within GWP 'Other' include Netherlands, Belgium and Ireland with GWP of $30 million, of $27 million and of $21 million respectively. Thereafter, there are a number of smaller countries equate for the remaining 10% of GWP.*

## *A3 Investment Performance*

The investments of TME are managed by New England Asset Management (NEAM). The investment function is overseen by the Investment Committee which operates under terms of reference set by TME's Board. The Committee is responsible for preparing the Investment Policy and the investment guidelines for approval by the Board. It is also responsible for monitoring investment performance and recommending the appointment of investment managers. Also, the risk appetite statements relating to the investment portfolios are monitored and reported at the quarterly Board meetings and the financial investments are managed in accordance with the Investment Policy of the TMHCC Group and TME's investment guidelines which ensures compliance with regulatory requirements.

TME's investment strategy is to invest in investment grade fixed and variable interest rate debt securities and units in unit trusts. For the period ended 31 December 2023, the investment result is a net gain amounting to $11 million (2022: $7 million). As at 31 December 2023 TME holds mainly European, UK and US corporate bonds and other fixed income securities.

The performance of TME's portfolio under LUX GAAP, for the year ended 31 December 2023 and prior year, is as follows:

| Asset Classes<br>31 Dec 2023 | Gross investment income<br>$'000 | Realised gains and losses<br>$'000 | Technical earned investment income<br>$'000 | Unrealised gains and losses<br>$'000 | Total earned investment income<br>$'000 |
|---|---|---|---|---|---|
| Corporate bonds | 7,988 | (195) | 7,792 | - | 7,792 |
| Government bonds | 2,156 | 292 | 2,449 | - | 2,449 |
| Collateralised securities | 1,132 | - | 1,132 | - | 1,132 |
| **Total** | **11,276** | **97** | **11,373** | **-** | **11,373** |
| Investment expense | | | (531) | | (531) |
| **Technical earned investment income** | | | **10,842** | | **10,842** |
| Bank interest | | | | | 496 |
| **Total earned investment income** | | | | | **11,338** |

| Asset Classes<br>31 Dec 2022 | Gross investment income<br>$'000 | Realised gains and losses<br>$'000 | Technical earned investment income<br>$'000 | Unrealised gains and losses<br>$'000 | Total earned investment income<br>$'000 |
|---|---|---|---|---|---|
| Corporate bonds | 4,088 | 77 | 4,165 | - | 4,165 |
| Government bonds | 2,112 | - | 2,112 | - | 2,112 |
| Collateralised securities | 550 | - | 550 | - | 550 |
| Short term deposits | 71 | - | 71 | - | 71 |
| **Total** | **6,821** | **77** | **6,898** | **-** | **6,898** |
| Investment expense | | | (491) | | (491) |
| **Technical earned investment income** | | | **6,407** | | **6,407** |
| Bank interest | | | | | 50 |
| **Total earned investment income** | | | | | **6,457** |

## *A4 Performance of Other Activities*

### Other Material Income and Expenses

The non-technical account includes other charges valuing $14 million (2022: $19 million) including a foreign exchange loss of $4 million (2022: loss of $13 million) and $10 million corporate oversight charges (2022: $6 million).

## *A5 – Any Other Information*

There is no other material information to be disclosed.

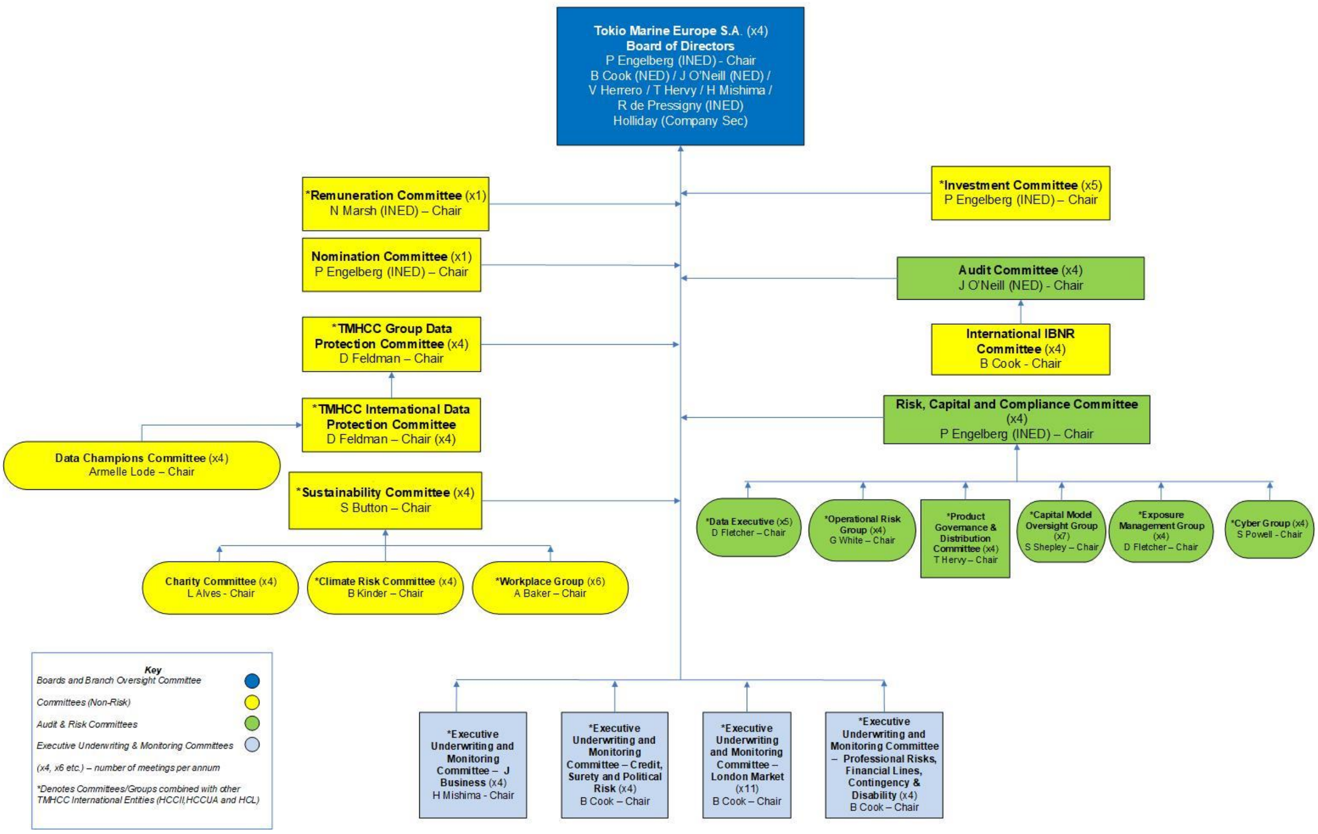
# Section B – System of Governance

## *B1 General Information on the System of Governance*

### Overview of TME's Board, Committee Structure and Key Functions

The oversight of the TME's business and its operations are provided through its governance structure, in which the management of risk plays a significant part. Governance starts with TME's Board, which has overall responsibility for management of TME through providing leadership within a framework of prudent and effective controls. The chart below provides a high-level overview of TME's governance structure.

**Tokio Marine Europe S.A. Board & Committee Governance Structure**




**Board of Directors**

The Board is responsible for the overall management and direction of the business and affairs of TME and, in doing so, may exercise all the powers of TME, subject to any relevant laws and regulations and to the Articles of Association.

The principal functions of the Board are to:

- determine the strategic objectives for TME and monitor performance against agreed goals.
- ensure TME's culture supports the delivery of its strategy and promotes responsible and ethical behaviour.
- agree the risk strategy and appetite for TME and oversee the effective operation of the risk management framework.
- set out the framework within which the business is managed.
- ensure that the TME has in place an appropriate corporate governance structure and regularly assesses or has assessed the governance system, in particular the daily management and key functions defined as by Solvency II.
- review and approval of TME's material policies.
- ensure that TME's Conduct Risk framework is effective and delivers fair customer outcomes and to review Conduct Risk MI, providing appropriate challenge and direction.
- have an understanding of all the activities of TME, the risks inherent in them, the strategy and the economic model.

- define TME's corporate and social obligations, ensuring it acts as a 'Good Company', having due regard for the environment in which it operates in, and monitoring its non-financial risks, including social, governance and environmental.
- generate value of TME over the medium and long term, taking account of the interests of TME's stakeholders.

The full detail of the roles and responsibilities of the Board are set out in the Terms of Reference: this includes matters reserved for the Board.

All authority in TME flows from the Board but it delegates certain responsibilities to Board committees and these duties are set out in their respective terms of reference. Each year the overall governance structure and the terms of reference are reviewed to ensure they remain both up to date and appropriate.

The Board is comprised of the CEO, Independent Non-Executive Directors and Non-Executive Directors, and possess a combination of skills, experience, and knowledge that cover TME's main business areas, ensuring appropriate challenge and debate and enabling the Board to make informed decisions and provide effective oversight of the risks.

Details of the committees reporting into the TME Board are set out below.

**Audit Committee**

The main responsibilities of the Audit Committee are to:

- receive reports from the external auditors;
- receive and approve Internal Audit reports;
- review and recommend to the Board the annual financial statements of TME;
- review the quarterly reserve recommendations from the IBNR (Incurred but not reported) Committee;
- review and update the arrangements for Internal Audit;
- approve the annual Internal Audit Plan and monitor progress;
- oversee the relationship with the external auditors;
- oversee the effectiveness of the internal financial controls;
- oversee independence and effectiveness of the internal and external auditors and processes and
- oversee the effectiveness of the whistleblowing procedures;

**Risk, Capital & Compliance Committee**

The purpose of the RCCC is to oversee TME's risk management framework and approach to capital. The duties of the committee are to:

- advice to the Board on risk strategy;
- proposals to the Board in respect of overall risk appetite and tolerance, as well as the metrics to be used to monitor risk management performance;
- oversight and challenge of the design and execution of stress and scenario testing, risk management and oversight arrangements;
- ensuring risks are mitigated and managed effectively including oversight of the Risk Management function and the effectiveness and independence of the Chief Risk Officer;
- ensuring that assessments of regulatory capital are completed to the applicable standard and within regulatory timescales;
- making recommendations to the Board on the required amount of regulatory capital;
- oversight of emerging risks; and
- management of the risk groups for oversight of capital model development, exposure management controls and business continuity plans: further detailed in section 5.3.

This committee is authorised by the Board to oversee but cannot approve Capital Assessments.

The RCCC has six sub-groups that each focus on a particular aspect of risk and report to the RCCC with any recommendations and findings undertaken as a result of the execution of their responsibilities. The main purpose(s) of each group are as follows:

- Capital Model Oversight Group: to monitor TME's capital model, including the identification, measurement and monitoring of risks and opportunities from climate change, and ensure that climate change risks are categorised, where possible into physical, transitional and liability risks. The model includes both the Economic Capital Model (ECM) and the Standard Formula.

- Cyber Group: reviewing cyber underwriting risk exposure, monitoring exposures against agreed risk appetites; overseeing the development of Probable Maximum Loss (PML) methodologies; monitoring industry developments and compliance with regulatory requirements in respect of cyber underwriting risk and as appropriate recommending changes to risk appetites, cyber reporting, scenarios/methodologies;

- Data Executive Committee: The Data Executive Committee is responsible for oversight of the Group's Data Strategy and Data Governance Framework. The committee will provide direction for the establishment of Data Strategy that will focus on, modelling, quality, accessibility, value, usage, and innovation. The committee will also oversee the development and implementation of an appropriate and comprehensive Data Governance Framework including, policies, processes, systems, and practices for TMHCC International, that complies with the relevant UK and EU regulations.

- Exposure Management Group: monitoring procedures and oversight systems for the evaluation of all property and non-property aggregate accumulations (both before and after PML) to be utilised by the regulated entities within the Group. The aggregate methodology will have reference to catastrophe (CAT) models, RDS and other relevant input;

- Operational Risk Group: to oversee and ensure the efficient and effective management of operational risk, including the identification and mitigation of operational risks; monitor established and emerging operational risks, and ensure appropriate procedures are in place. In addition, the group oversees the prioritisation of actions taken in respect of potential risks based upon risk criteria approved by the Board; and

- Product Governance & Distribution Committee: ensures that the Group achieves compliance with its regulatory obligations; in particular, the Financial Conduct Authority (FCA) Principles for Businesses (Principles 2, 3 and 6 and 7 and 12 as applicable), Product Governance Sourcebook (PROD) 4, Insurance Conduct of Business Sourcebook (ICOBS) 6 and Insurance Distribution Directive (IDD, Chaps 2 – 5), proportionately and in consideration of the guidance on reasonableness published by the FCA. It ensures effective oversight of product development, implementation, and ongoing product management during the product lifecycle, and the delivery of good outcomes for its retail customers, which includes;
    - acts in good faith towards retail customers;
    - avoids causing foreseeable harm to retail customers;
    - enables and supports retail customers to pursue their financial objectives;
    - offers products and services that are fit for purpose and designed to meet consumers' needs and are targeted at those consumers;
    - delivers products that offer fair value for money;
    - ensures consumer understanding throughout the customer journey; and
    - provides appropriate consumer support such that the product can be used as reasonably anticipated.

**Investment Committee**

The primary purpose of this committee is to assist the Board by overseeing the management, understanding and quantification of investment (market) risk. The Committee is responsible for:

- to ensure that the funds of TME are invested in accordance with its strategy and policy;
- to review annually, the investment performance, strategy and policies for TME ;
- to ensure the Investment Strategy and policies for TME are consistent with the Tokio Marine HCC International and Tokio Marine HCC Group Investment Strategy and policies, and remain appropriate; and
- to ensure funds are invested in accordance with Prudent Person Principal.
- to ensure that the Company's investment strategy and policy conforms, where applicable, to CAA, and EU regulatory requirements, and that investments decisions take into account sustainability factors in accordance with the prudent person principle;
- to ensure that bases of valuations reported by the Investment Managers conform to CAA and EU requirements;
- where appropriate, and different to Tokio Marine HCC Group policy, to determine the levels of investment in, and the maximum exposures to, individual investments;
- to determine the setting of appropriate investment risk metrics to monitor the performance of investments;
- to monitor, on a quarterly basis, the performance of the investment metrics;
- to review cases where investments fall out of compliance with the guidelines and consider whether a waiver to the guidelines is appropriate for that investment; and

- to monitor investment performance, including the performance of outside Investment Managers;
- to recommend annually to the  Investment Risk Metrics;
- to ensure that the authorities granted to individuals concerned in the operation of the investment portfolios are appropriate to the needs of the relevant entity and conform to regulatory requirements as regards relationships with both Investment Managers and custodians;
- integrate sustainability risks in the prudent person principle when identifying, measuring, monitoring, controlling, reporting and assessing risks arising from investment; and
- to consider the potential long-term impact of the investment strategy, with the strategy reflecting the sustainability preferences of its customers; and consider sustainability risks, being environmental, social or governance events or conditions that, if occurs, could cause an actual or a potential negative impact of the value of the investment or on the value of the liability.

**TMHCC Group Data Protection Committee**

The TMHCC Group Data Protection Committee covers all TMHCC Group entities. The Committee will:

- Discuss and shape the Group-wide data protection strategy, and recommend it to the relevant TMHCC International / US boards for approval;
- Identify areas where the US and UK/Europe should share knowledge and resources;
- Identify areas where the US and UK/Europe should agree a common approach to an aspect of Data Protection practice/policy or reporting;
- review summary reports and consider any red flags/major issues raised by the Non-Board Committees (including information on data breaches, or failure to meet deadlines for responding to requests from data subjects) and
- provide oversight for any Sub-Committees.

**Executive Underwriting Monitoring Committees**

The main purpose of the four Executive Underwriting Monitoring Committees (London Market; Credit, Surety and Political Risk; Professional Risks, Financial Lines, Contingency and Disability; and J Business) is to ensure that the LOBs operate in accordance with TMHCC International's strategic objectives. The main responsibilities of the Executive Underwriting Monitoring Committees are to:

- review the line of businesses (LOB) performance and monitor the actual performance against budget on a quarterly basis;
- consider the rating, market and loss environments and any impacts on the Group's business;
- review exposure management across relevant lines of business, specifically ensuring that the exposures are in line with those agreed;
- monitor the performance of risk mitigation controls associated with underwriting, claims and reinsurance; and
- monitor the Key Performance Indicators and risk metrics for each LOB;
- review claims and IBNR for each LOB; and
- act as a discussion group for reviewing potential business opportunities.

The committees escalate matters of concern or which require approval of the Board through the relevant Chief Underwriting Officer and by way of an underwriting report to the quarterly Board meetings.

**Nomination Committee**

The main responsibilities of the Nomination Committee are to:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board where their composition requires further development. In this respect, the Committee will consider the findings from the annual board evaluation exercise;
- review the leadership needs of TME, both executive and non-executive with a view to ensuring that it continues to compete effectively in the marketplace and assist in identifying, nominating and re-nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise; and
- consider succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing TME, and the skills and expertise needed on the Board in the future.

**Remuneration Committee**

The Committee's primary objective is to oversee the remuneration arrangements for all employees within the Group, ensuring that the framework for remuneration is one that will enhance the Group's resources by attracting, retaining and motivating employees to the Group's strategic objectives within a framework that is aligned with the Group's risk management framework and long-term strategy.

**Sustainability Committee**

The main responsibilities of the Committee are to:

- oversee the identification, management and mitigation of sustainability risks;
- define the Group's sustainability appetite, vision, objectives and strategy and recommend to Boards for approval;
- oversee the execution of the sustainability strategy;
- agree annual sustainability targets and review performance against targets; and
- oversight of the work carried out by sub-committees (Charity Committee, Workplace Group and Climate Risk Committee).

The following sub-committees/group each act as a forum to discuss certain Sustainability matters on behalf of the Sustainability Committee. They report key findings or recommendations to the Sustainability Committee. Each sub-committee/group has terms of reference that set out its roles and responsibilities and has delegated decision making powers:

- <u>Climate Risk Group</u>
  <u>The Climate Risk Committee is responsible for overseeing and assisting the Group with its identification, measurement, monitoring of risks and opportunities from climate change, ensuring that climate change risks are categorised, where possible into physical, transitional and liability risks.</u>

- <u>Workplace Group</u>
  <u>The Workplace Group is responsible for assisting the Group in respect of its diversity and inclusivity, learning and development, wellbeing programmes and initiatives and monitor progress against these.</u>

- <u>Charity Committee</u>
  <u>The Charity Committee is responsible for assisting TME in respect of its charity programme and initiatives and ensuring that TME is progressing satisfactorily against its goals agreed in TME's Charity Strategy.</u>

**UK Branch Oversight Committee**

The UK Branch Oversight Committee's responsibilities will include:

- oversight and monitoring of the run-off policies including but not limited to reviewing financial, claims, reserving and compliance data;
- oversight and monitoring of the underwriting and expert services provided by the UK Branch to TME in order to facilitate the writing of EEA risks on TME and its EEA branches;
- monitoring of and compliance with TME's strategy, operating model, policies and procedures;
- monitoring and ensuring the effective operation of the risk management framework and systems of internal control;
- ensuring an appropriate governance framework is in place which complies with the system of governance requirements; and
- acting in accordance with its legal and regulatory requirements (UK and Luxembourg).

**Key Functions**

The four key functions of Actuarial, Compliance, Risk, and Internal Audit report to the Board. They also report into the RCCC and the Audit Committee as appropriate. These key functions and the execution of their responsibilities are aligned to the Solvency II Directive and EIOPA guidelines.

Those working in these key governance functions are subject to the Fit & Proper requirements (described in section B2 below) which requires them to have the necessary personal characteristics, competence, knowledge and experience to enable them to perform their responsibilities effectively. This is assessed both on initial appointment continues throughout employment with performance reviews, development plans and periodic reassessments.

### B1.2 Remuneration Policy

The Remuneration Policy provides a framework for remuneration which is consistent with TME's risk management and long term strategy. The key principles of the policy are to ensure that remuneration packages reflect the employees' duties and responsibilities, that they are fair and equitable, and that reward is clearly and measurably linked to individual and corporate performance.

The pay element of the reward package comprises both fixed and variable pay. The fixed pay component is determined by the role and responsibilities of the employee, their skills and experience, performance and comparable market rates. The variable pay component is designed to motivate and reward employees who generate income and/or increase shareholder value. The variable pay element is awarded in a manner which promotes sound risk management and does not induce excessive risk taking. The Remuneration Committee ensures that there is an appropriate balance between fixed and variable pay and that the fixed component represents a sufficiently high proportion of the total remuneration. In addition, the performance based component reflects the risk underlying the achieved result, and a portion of the variable component is deferred for those employees who are identified as risk takers.

There is no remuneration linked to share options or shares in the Group or its ultimate parent undertaking.

Directors are employed by the UK Service Company and provide services to TME and other UK regulatory entities.

### B1.3 Assessment of Adequacy of the System of Governance

As noted in Section B4, Internal Audit is responsible for evaluating the adequacy and effectiveness of the internal control system and other elements of governance, taking into account the nature scale and complexity of the risks inherent in the business. Based on the audit and controls testing performed in the triennial review in 2020, Internal Audit concluded that the governance risk management were both fit for purpose and that key controls were operating as intended.

## B2 Fit and Proper Requirements

TME's Fit and Proper Policy provides a framework for assessing the fitness and propriety of Directors, Senior Managers, individuals performing a key function as defined under the Solvency II regime. The key principles of the policy are to ensure that all individuals have the personal characteristics and, possess the level of competence, knowledge and experience, including ongoing training, to enable the individual to perform their responsibilities effectively which ultimately enables sound and prudent management of TME.

The control framework for assessing the fitness and the propriety of individuals who effectively run TME or have other defined functions starts at recruitment and continues throughout employment with performance reviews, development plans and periodic reassessments which include self-certification and independent screening by a third-party provider.

The assessment for the pre-appointment stage is carried out by the Human Resource department and the person's proposed manager in TME. Where the appointment is to a Board position, the proposed appointee is also interviewed by one or more non-executive Directors. The assessment will take account of the qualifications, knowledge and experience of the individual.

The ongoing assessments of the suitability are carried out through our Performance Management Programme which is the responsibility of individuals and their line managers but is also monitored by the Human Resource department and reported as part of our key risk metrics to oversight committees and the Board. A programme of training is in place for individuals' to either enhance or maintain a level of knowledge as appropriate. Training is monitored by the Compliance department to ensure the annual programme covers all legal and regulatory topics relevant to the individual's area of responsibility. The Company Secretary coordinates the general training needs of the Board members, and these may include general governance issues or technical matters.

## B3 Risk Management System including the Own Risk and Solvency Assessment

### Risk Management Strategy and Objectives

TME believes that a strong, effective and embedded risk management framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. TME achieves this through a strong risk culture articulated by effective ERM senior leadership and embodied by management at all levels through its governance structure and risk management processes.

The following risk management principles are high level guidelines which have been derived from experience, best practice and corporate governance guidelines used within the insurance industry and these specific principles have been adopted by the Directors of TME.

a. <u>Systematic and structured risk management</u>
The control processes should include recognised systematic activities, where practicable, that ensure financial results are reliable, robust and comparable, thereby allowing management to adopt them with confidence. These processes should reflect best practice and be supported by the appropriate tools and techniques.

b. <u>Evidenced-based risk management</u>
The inputs to the process should be based on historical data (where available), experience, subject knowledge, expert judgement and future projections. To this end lessons-learned workshops should be conducted at the end of projects or newly completed first time activities with information being stored for similar future events.

c. <u>Human factors</u>
Human behaviour such as bias, motivation, 'rule of thumb', unwillingness to accept risk or change will all influence the effectiveness of control practices. Management should take account of these behaviours during the design and implementation stages of control practices. Additionally, consideration should be given to problems of communication due to our organisational structure and geographical dispersion.

d. <u>Adding benefit and value</u>
The optimisation of risk management practices and risk response planning should contribute to the demonstrable achievement of business objectives and provide overall organisational benefits, such as efficiency in operations, financial performance, accurate reporting, regulatory compliance and good reputation. To add value the control environment should underpin our corporate governance structure, provide assurance to Group and reflect legislative requirements.

TME's strategic risk objectives are:

- To build and maintain a diversified and non-correlating portfolio of business that achieves a return of 10% above risk free rate over the insurance cycle;
- To maintain a focus on preserving loss ratio before premium volume and, will only plan to grow where we see a possibility for improved rating and conditions and target returns are met;
- To preserve capital using risk mitigation as a key component in ensuring that all risks are identified and monitored.

Additionally, TME maintains the following objectives:

- To support the relationships and servicing of the TMNF Japanese clients by providing local European policies for the EEA Risks of these clients;
- To maintain profitable business written on TME.
- To maintain a strong solvency ratio and maintain appropriate levels of capital to support the business written on TME.
- Throughout all its dealings, ensure that the reputation and integrity of the company remains intact so that it is seen as the premier specialty insurer.

The Directors believe that the benefits of good risk management (and the downside of bad risk management) will be felt by our staff, management, shareholders and customers alike. Whilst the overall responsibility for effective governance and risk management lies with the Board, the daily management of risk is delegated to senior management as the diversity of risks faced by the business apply at all levels of our organisation and to all activities.

TME's strategy for managing its risk is to:

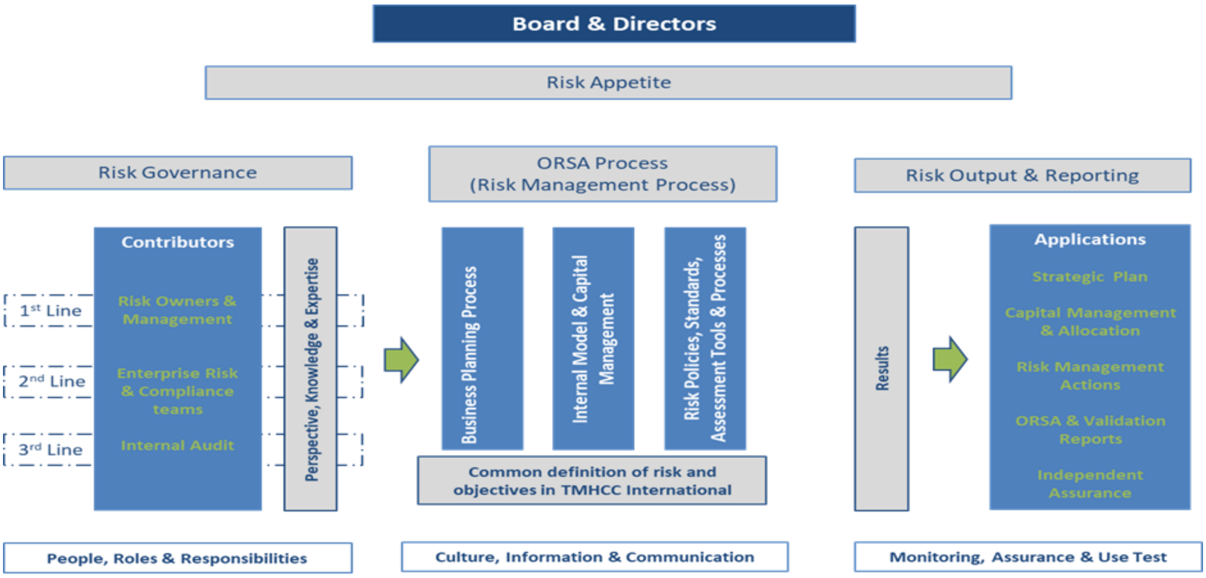
- Adopt an integrated approach to risk management through the processes and structures detailed in the Risk Strategy & Risk Management Policy;
- Accept that whilst the business operation cannot be risk free, we will aim to manage risk to a desired level and minimise the adverse effects of any residual risk;
- Coordinate the management of risk via the RCCC and other committees that report to the Board;
- Manage risk as part of normal line management responsibilities and provide funding to address 'risk' issues as part of the normal business planning process;
- Ensure that there are appropriate policies and procedures in place that are communicated to and followed by managers and staff to minimise risk;
- Ensure that staff are appropriately trained.

## Risk Management and Control

TME operates a 'three line of defence' risk governance framework which means that we coordinate risk holistically ensuring that all types of risk are prioritised and analysed both in absolute and relative terms.

- The first line of defence is the responsibility of senior management, the risk takers in the business. This involves day-to-day risk management, in accordance with risk policies, appetite and internal controls at the operational level.
- The second line of defence concerns those responsible for risk oversight and risk guidance. As well as monitoring reports, they are responsible for risk policies and risk processes and control design.
- The third line of defence is independent assurance to the Board and senior management of the effectiveness of risk management processes.

The diagram below illustrates the various facets of our risk framework and how these interact with one another and the responsibilities of those staff in the first, second and third line of defence.




The Risk Management function assists in the effective operation of our business units and maintains an entity-wide view of TME's risk profile. For the Board, committees and management it also monitors and provides focused reporting on risk exposures and advises on risk.

**Risk Identification**

TME's approach to risk identification uses various methods of self-assessment specifically capitalising on our internal expertise to identify and quantify risks with departmental results being consolidated and standardised as necessary by the RCCC.

Senior Managers know their business objectives and are best placed to be able to highlight any new risks that may be developing over time or changes in existing risk levels. It is part of their overall responsibility to ensure such situations are reported upwards either through the Enterprise Risk team or directly to the RCCC.

**Risk Register**

TME has a central risk register which ensure all identified risks are described in a consistent and structured format to facilitate the assessment process. Local branch risk and control registers continue to be maintained only where it is necessary to reflect specificities at the branch level and the central risk register is considered to provide the holistic view of TME's risk profile. The registers are divided into high level risk categories which assist with transparency and clarity when analysing risks at both a company level and branch level. The grouping of risks helps the Enterprise Risk team to aggregate and map similar kinds of risk across departments or locations, document management responsibilities both for the ownership of risk and the mitigation activities to control said risk.

The risk registers are reviewed in their entirety with relevant risk and control owners, by the Enterprise Risk team on a quarterly basis.

**Risk Policies**

TME has defined a risk policy for each risk group which impacts our operating environment and establishes the controls, procedures, limits and escalation to ensure that the risks are managed in line with Risk Appetite. The policies cover Insurance Risk, Operational Risk, Group Risk, Internal Financial Risk, Liquidity Risk, Credit Risk and Market Risk.

The policies are reviewed annually alongside the group strategy and planning process thereby confirming that the risk appetite and profile remains appropriate to deliver TME's objectives in light of both internal and external drivers or constraints.

**Risk Appetite, Tolerances and Limits**

Risk appetite plays an important part in supporting risk assessment, monitoring and control activities as it establishes a set of benchmarks from which transaction specific tolerance levels can be set and monitored for a particular risk.

TME accepts the parent's risk appetite with regards to Strategic and Insurance risks but on occasion may reduce the specific appetite for a particular LOB as a prudent move against negative market conditions and influences. This form of limitation would be managed via amended business plans, reduction in underwriting authorities and regularly monitored via the Executive Committee.

The RCCC enforces the Board policies by ensuring that measurable limits or thresholds are allocated and assist the organisation as a whole to implement control procedures and appropriate monitoring activities as well as providing an escalation route to the Board if required.

- A limit reflects the absolute maximum level of exposure that is acceptable for a particular risk (a level of exposure that should not normally be exceeded).
- In contrast a threshold represents a level of exposure which, with appropriate approvals, can be exceeded, but which, when exceeded, will trigger some form of response (e.g. additional expenditure of risk control, reporting the situation to senior management, etc.).

Our Strategic Risk metrics are set with thresholds. Strategic Risk Metrics are prepared and reported to the RCCC and Board of Directors on a quarterly basis.

**Risk Monitoring and Review**

TME operates in a dynamic environment which brings constant change. To provide an effective risk management framework a continual monitoring and review structure is required to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place.

The internal reporting requirements and timetables for month-end and quarterly results are mapped to the risk governance structure in that monitoring the business efficiently is paramount to managing the most significant risks. Other regular operational management information is also used as a risk monitoring tool, such as monthly reports to the Executive Committee from HR, IT and Compliance.

The Enterprise Risk team maintains the risk management framework which includes monthly data accuracy reporting and assessments of operational near misses and losses. Quarterly reviews of the live risk register and emerging risk register are also performed with relevant risk and control owners. Stress testing, including reverse stress tests (RSTs) and scenario analysis is performed periodically to assess the robustness of the Risk and Capital Management framework and solvency requirements with results reviewed and approved by the RCCC and Board of Directors respectively. The detailed results are also included in the annual ORSA Report.

In addition, regular audits of policy, procedures and compliance standards are carried out by the internal audit function and on occasion specific subject focused compliance reviews are conducted by the compliance team. This type of monitoring not only manages risks but is more attuned to identifying further opportunities for improvements or increasing best practice thresholds.

The monitoring process must provide assurance that there are appropriate controls in place covering all TME's activities and that the procedures are understood and followed. Consequently, management information, in varying degrees of detail, is reviewed by Divisional Managers, Business Line Managers, Enterprise Risk, Executive Management and ultimately the Board of Directors. Such reviews provide the appropriate escalation of issues to the next level or potentially direct routed to the Directors if deemed appropriate.

**Stress and Scenario Testing**

As part of the overall process of risk control and in consideration of business strategy and capital setting, various risks are considered by the business. These risks broadly fall into three areas:

- risk of ruin, considered via RSTs;
- risk of multiple events on the business model and strategy considered via stress and scenario tests;
- emerging risks that are considered potential risks to the business model and strategy.

The work completed in this area is key to ensuring the full range and impact of risks, both current and potential, is understood and represented in the capital model and risk register.

TME also makes use of stress and scenario testing for both the capital and liquidity implications of certain risks under the Internal Model.

- Internal Model Calibration: the results of stress and scenario testing are key calibration inputs for CAT Risk and Operational Risk. A representative set of scenarios are designed and the results are used as calibration points for the model.
- Internal Model Validation: stress and scenario testing is used to independently validate the internal model.
- Business Plan Review: TME stress tests the forecasts to understand various scenarios on both profitability and the future capital position.
- RST: TME performs annual RST exercises to identify and assess events and circumstances that would cause TME's business model to become unviable.

The outcome of the stress testing programme is detailed later in this report under Risk Section C6.

**Solvency Capital Management**

TME calculates its regulatory capital requirements using the Standard Formula. With oversight by the Actuarial team, the SCR is the responsibility of the Finance team to calculate the SCR at mid-year, as an input to the planning process during the fourth quarter and year-end. These results are reported into the Capital Management Oversight Committee and evaluated alongside TME's Internal Model. Additionally, the solvency results are reported quarterly to the Board by the Chief Financial Officer.

Since the Internal Model provides a more tailored view of TME's risk profile compared to the Standard Formula, the Internal Model output is used to monitor TME's view of risk. However, there are no risk categories in our risk register where the risk is not identified in the Standard Formula.

**Own Risk and Solvency Assessment**

TME has adopted a working definition of the ORSA to be 'the entirety of the processes and procedures employed to identify, assess, control and report the short and longer term risks faced by the business and to determine the assets necessary to ensure that the overall capital needs (solvency and economic) are met at all times'.

The ORSA considers risk, capital performance and strategy. It relies on the contribution of existing business processes and the monitoring tools of the risk management framework to provide Executive Management with adequate and accurate information enabling the taking of key decisions regarding the overall risk and capital profile of the business.

Specifically, the central risk register is maintained and updated quarterly with input from designated risk and control owners. This provides the executive management team and the Board with a view of the risk profile on a regular basis, affording early opportunities to take management action if the current profile is diverging from the business strategy. Local branch risk and control registers continue to be maintained only where it is necessary to reflect specificities at the branch level and the central risk register is considered to provide the holistic view of TME's risk profile.

This information, along with other outputs of the risk management framework, e.g. risk appetite metrics, are included in a quarterly ORSA update report. This report also includes financial information, which is also considered in the context of the stated business strategy.

The ORSA is an overarching process, the underlying elements of which are fully embedded within the organisation. Consequently the ORSA has many stakeholders across the business and the table below highlights the responsibilities with regards to the ORSA for each function.

| Stakeholder | Selected Responsibilities |
|---|---|
| Board | • Review and approve the ORSA Policy.<br>• Review and approve the ORSA report on an annual basis which constitutes the formal ORSA sign-off.<br>• Setting the overall business strategy and direction.<br>• Setting risk appetite for the business. |
| RCCC | • The TME Board delegates risk management oversight and monitoring activities to this committee. The committee is the primary forum for challenging both the ORSA content and process, in order to recommend approval of the ORSA Policy and ORSA Report to the Boards.<br>• Quarterly ORSA Reports are also reviewed by the committee. |

| Stakeholder | Selected Responsibilities |
| --- | --- |
| Executive | • Engendering a positive risk culture.<br>• Ensure appropriate governance, committee structure and escalation procedures such that risks can be monitored and managed.<br>• Agree future plans for the LOBs based on the current strategy and outputs from ORSA processes.<br>• Engage on stress tests, RSTs and emerging risks. |
| Enterprise Risk Function | • Producing the annual ORSA Report and collating the activities to sign-off.<br>• Producing the quarterly ORSA Reports.<br>• Setting risk policies consistent with risk appetite.<br>• Translating risk appetite into more granular tolerance and risk limits.<br>• Working with business owners to develop appropriate risk reporting.<br>• Ensuring consistency between risk identification, measurement and reporting.<br>• Managing scenario testing and RST framework.<br>• Measuring and monitoring the risk culture within the business.<br>• Ensuring the documentation of all the underlying processes which support the ORSA.<br>• Preparation and monitoring of risk metrics.<br>• Measuring and monitoring the risk culture within the business.<br>• Ensuring the documentation of all the underlying processes which support the ORSA. |
| Actuarial Function | • Developing tools to ensure appropriate risk measurement and monitoring including where necessary 'lite models' such as replicating portfolios and curve fitting.<br>• Assisting with stress and scenario analyses.<br>• Carry out financial projections to better understand the risk drivers during the business planning horizon.<br>• Developing, parameterising and running the ECM.<br>• Comparisons of SCR to the internally generated ECM. |
| Finance Function | • Prepare annual budgets and monitor against actual performance.<br>• Calculate the capital held and monitor solvency.<br>• Implement the capital strategy.<br>• Develop and maintain the capital contingency plan. |
| External Consultant / Internal Audit | • Provide benchmarking and independent review.<br>• Ensure that there is an appropriate control framework in place.<br>• Provide assurance regarding the underlying processes. |

### Own Risk and Solvency Assessment Report

The ORSA Report is used to summarise the outputs of the risk management and capital assessment processes. This report includes both the quantitative and the qualitative outputs of the processes and links these to TME's business performance, to assist the Board and senior management in making strategic business decisions.

The Enterprise Risk team prepares the ORSA Report annually which is reviewed, challenged and signed off by the Board. The annual ORSA Report is made available to key stakeholders and the regulators and sections are also included within this report, where considered appropriate. In addition, an ORSA Lite may be produced in cases where an event occurs that results in a material change to the Company's risk profile.

On a quarterly basis, entity-specific ORSA Reports are produced for the RCCC and the Board, which summarise the key metrics from the annual report and provide commentary on the results from a risk perspective.

## *B4 Internal Control System*

The Internal Control System is designed to provide reasonable assurance that TME's financial reporting is reliable, is compliant with applicable laws and regulations and its operations are effectively controlled. The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the internal control systems and delegates control and oversight to the Audit Committee and key functions, including Internal Audit and Compliance.

### B4.1 Internal Audit Assurance

The control environment includes policies, procedures and operational systems and processes in place. The internal audit annual plan provides assurance over the internal control environment. This plan is approved by the Audit Committee on an annual basis and the findings are presented to the Audit Committee and management through Internal Audit reports which include an overall assurance rating. In addition to our risk-based internal audit program, we also conduct internal controls tests on behalf of management. These tests meet our requirements under JSOX, providing a good level of assurance by verifying that the key controls are operating as intended. A total of 84 controls (58 business processes and 26 IT controls) across eight key cycles were tested in 2023.

### B4.2 Compliance Function

The Compliance function identifies, monitors, and reports the compliance risk exposure for TME. The key responsibilities of the Compliance function are to:

- Identify and evaluate legal and regulatory risks covering TME's current and proposed business activities;
- Advise and train staff on the applicable laws and regulations, ensuring that they are appraised of all developments in these areas;
- Produce documented guidelines covering compliance with these laws and regulations and assess adherence to these internal policies and procedures through the undertaking of regular compliance monitoring assessments;
- Act as an adviser in compliance matters within the organisation;
- Investigate and follow-up potential violations of the laws and regulations;
- Record any incident that must be reported and ensure that TME and each of its European branches fulfils its obligation as regards notification to regulators or other relevant third parties.

TME Compliance policies and procedures are maintained on the TMHCC International, European policies & procedures portal which is accessible to all employees via the Company intranet.

The Compliance Policy that was last updated in September 2023 defines responsibilities, competencies and reporting duties of the Compliance function.

The Compliance Plan sets out the planned activities of the Compliance function over the forthcoming period taking into account TME's exposure to compliance risk in all areas of activity.

The TME Head of Legal & Compliance has a hierarchical reporting line to the TME CEO, who is a member of the TME Board and also reports functionally to the Head of International Compliance.

## *B5 Internal Audit Function*

The Internal Audit function is primarily responsible for evaluating the adequacy and effectiveness of the internal control system and other elements of governance. This function is independent and free to express its opinions and disclose findings to the TME Board, TMHCC Group and reports directly to the TME Internal Audit Committee and its outcomes are reported into the TMHCC Group Audit Committee on a regular basis.

Within the context of the control framework, auditing is an independent risk assessment function established within the organisation to evaluate, test and report on the adequacy and effectiveness of the management's systems of internal control, providing the third line of defence. The purpose of the evaluation and tests is to:

- assist the Audit Committee in executing their oversight responsibilities;
- provides an independent assessment of the system of internal control, through reviewing how effectively key risks are being managed;
- assists management in its responsibilities by making recommendations for improvement.

The Head of Internal Audit TME is responsible for establishing, implementing and maintaining an effective and efficient audit programme, taking into account TME's system of governance and risk management processes.

### B5.1 Audit Charter

As required by the Institute of Internal Auditors, the internal audit department has in place an Audit Charter which is approved by the TME Audit Committee and reviewed every year. This charter sets out the purpose, mission and responsibility for the internal audit activity based on the power and authorities handed to it by the TME Audit Committee. This ensures that the internal audit department has access to all offices, documents and staff it requires to conduct its internal audit work without any interference or obstruction.

### Audit Independence

The key function holder for internal audit at TME, is the Head of Internal Audit TME, based in the Luxembourg office. The Head of TME Internal Audit reports functionally to the audit committee, methodologically to the HCC Senior Vice President of Audit and Controls, based in Houston, through the Head of International Internal Audit, based in London, and administratively (i.e. day-to-day operations) to the TME CEO. The Head of Internal Audit TME attends the TME Audit Committee meetings as and when required, to report the audit results and findings. There is also direct communication between the Chairman of the TME Audit Committee and the Head of Internal Audit TME during the year. The Head of Internal Audit TME is responsible, oversees and controls all the internal audit activities for TME, whether carried out directly by the TME audit team or through the joint co-operation with the TMHCC International audit team.

The TME internal audit team has embedded the TMHCC audit methodology, which covers also the JSOX requirements, RAP retesting and the audit software (Audit Board). The TMHCC International internal audit team will continue to work together with their TME internal audit colleagues in 2024, given their historical knowledge of the business, its systems and its people. There is close co-ordination and co-operation between the internal audit teams on a number of joint / combined internal audits planned for 2024.

The work of the Internal Audit department is available for review each year by the external auditors, PwC, as part of their statutory year-end audit work and is subject to a full audit which is undertaken by an independent third party every five years and a review was performed by KPMG in 2023. This corporate wide review of TMHCC received a Generally Conforms rating, the highest of three ratings available and KPMG determined that the IIA standards were being achieved. Furthermore, internal auditors who work in the department do not have direct operational responsibility over, or responsibility for, any of the activities being reviewed. Any new employee of the audit department who previously worked in another area of the organisation will be prohibited from reviewing the activities they were once responsible for, for a minimum of one year.

## *B6 Actuarial Function*

A primary responsibility of the Actuarial Function is the coordination of the calculation of the technical provisions, ensuring that methodologies and assumptions used are appropriate to the company's portfolio, assessing the sufficiency and quality of the data provided and comparing best estimates against experience. The Actuarial Function is also responsible for developing, parameterising and calculating the outputs of the ECM Capital Requirement. In addition, the function assists in the calculation of the Standard Formula Capital Requirement and expresses an opinion on the overall underwriting policy and reinsurance arrangements.

In forming and formulating its actuarial view, the Actuarial Function is objective and free from influence of other functions and management. The department is operationally independent and provides its opinions in an independent fashion, adhering to professional and regulatory standards and fit and proper guidelines.

## *B7 Outsourcing*

In order to conduct its operational functions as effectively and efficiently as possible the Group may, as appropriate, find it necessary to outsource certain activities. Given that an outsourcing arrangement results in a shift from direct to indirect operational control of an activity it will always change TME's risk profile and the risk management system must reflect this.

The Group seeks to manage the severity and frequency of identifiable risks by:

- Ensuring an effective supplier selection process incorporating due diligence procedures.
- Making certain that the arrangement is formally structured through:
  - the effective management of transition risk;
  - monitoring and review within the regulatory framework;

- ensuring that a signed contractual agreement is in place which includes an agreed service level and whilst not an exhaustive list, covers inspection rights and confidentiality;
- viable contingency plans including ensuring that a termination/exit strategy are in place;
- retaining control over any valuable confidential information which is owned by the Group and may be shared and used by a third party by having a standard non-disclosure agreement in place.

In achieving this the Group aims to avoid impairing the quality of the system of governance, unduly increasing operational risk, impairing the ability of supervisor to supervise and undermining the service to policyholders.

Strong governance and management oversight combined with assurance from the outsourcer via management information are deemed to be essential controls when managing the outsourcer relationship.

On 19 August 2022, the CAA issued its Circular Letter on the outsourcing of critical or important operational functions or activities, with the TME Legal & Compliance and Procurement & Supplier Management teams undertaking work on behalf of the TME Board to ensure that the requirements from this circular are met.

Key third party outsourcing providers are summarised below:

| Outsourcing Provider | Outsourced Function | Location of service provider |
|---|---|---|
| BDO | Payroll Processing UK and Europe | UK and EU |
| BOX | Data Management | USA, UK and EU |
| DXC | Policy Administration | UK |
| Global Switch | Data Hosting | UK |
| HCC Services Company INC | Intragroup Outsourcing (multiple functions but no key functions) | UK |
| Microsoft Enterprise Agreement | Data Hosting | USA and UK |
| New England Asset Management Inc. | Asset Management | USA |
| NTT | Information Technology | UK and India |
| Parafiscal Reps | Indirect Tax | UK |
| Verisk | Policy Administration | UK |
| Vertafore | Policy Administration | USA |

## *B8 Any Other Information*

There is no additional information that requires disclosure.

## Section C – Risk Profile

TME has identified the risks arising from its activities and has established policies and procedures to manage these risks in accordance with its risk appetite. TME maintains a risk register and categorises its risks into six areas: Insurance, Strategic, Regulatory and Group, Market, Operational, Credit and Liquidity. The sections below define each category of risk and outline the TME's risk profile & risk concentration (where relevant), risk appetite and how it manages/mitigates each category. The section concludes with details of the results from the Top 10 risks, the most recent annual 'Stress & Scenario' exercise and the Emerging risk radar.

The chart below indicates the relative magnitude of the risks, as calculated within the SCR, as at 31 December 2023.


This section considers the identified risks categories separately. However, how these individual categories accumulate for the business as a whole is as important, if not more so. This brings in the concept of a dependency or correlation structure. For TME, these are considered through the use of stress and scenario tests, where multiple risk categories are assumed to be impacted at one time. In addition, understanding has been built up when parameterising the dependency structures underlying TME's capital model. These dependency structures have been derived from a variety of sources, including discussions with the business and executive management, obtaining benchmark information from external sources, such as actuarial consultants and investment managers, further use of stress and scenario tests. We also use this knowledge to review the dependency structure underlying the SCR calculations.

### *C1 Underwriting (Insurance) Risk*

TME's insurance business assumes the risk of loss from persons or organisations that are themselves directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are:

- Premium Risk.
- Reinsurance Risk.
- Claims Management Risk.
- Reserving Risk.

Each element is considered below, by considering the nature of the risk, risk profile & concentration of the risk, and how the risk is managed and mitigated withing TME.

#### Premium Risk

**Nature of the Risk**

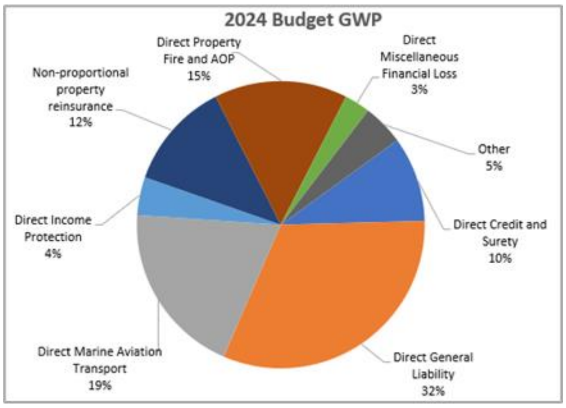
Premium risk relates to the potential losses arising from inadequate future underwriting. There are four elements that apply to all insurance products offered by TME:

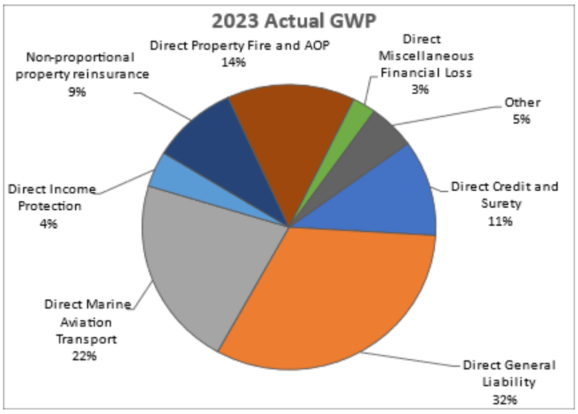
- Cycle risk – the risk that business is written without full knowledge as to the (in)adequacy of rates, terms and conditions.
- Event risk – the risk that individual risk losses or CATs lead to claims that are higher than anticipated in plans and pricing.
- Pricing risk – the risk that the level of expected loss is understated in the pricing process.

- Expense risk – the risk that the allowance for expenses and inflation in pricing is inadequate.

**Risk Profile & Concentration of the Risk**

The charts below show 2024 budgeted GWP broken down into Solvency II LOB, versus 2023 actual premiums.




The charts above highlight concentration of risks across the LOBs and the broadly similar split across classes between 2024 Budget and 2023 Actual figures.

The table below indicates the concentration of exposures to CATs. The budget for 2024 shows slightly increased CAT exposures compared to 2023 actuals. This is driven by taking advantage of favourable market conditions for catastrophe type business.

| CAT/Non-CAT Split | Proportion of GWP | |
|---|---|---|
| | 2024 Budget | 2023 Actual |
| CAT business | 19.9% | 15.2% |
| Non-CAT business | 80.1% | 84.8% |

**Managing & Mitigating the Risk**

TME manages and models the four elements of premium risk in the following three categories:

- Attritional claims – claims generally characterised by higher frequency of small to below-average sized claims.
- Large claims – individual risk losses, lower frequency of above-average to limits-loss sized claims.
- CAT events – losses stemming from an aggregation of claims across policies (and potentially LOBs) stemming from a single catastrophic natural or man-made event.

To manage underwriting exposures, TME has developed limits of authority and business plans which are binding upon all staff authorised to underwrite and are specific to underwriters, classes of business and industry.

These authority limits are enforced through a comprehensive sign-off process for underwriting transactions including an escalation process for all risks exceeding individual underwriters' authority limits. Exception reports are also run regularly to monitor compliance and a rigorous peer and external review process is in place.

Rate monitoring, including risk adjusted rate change and adequacy against benchmark rates are recorded and reported for TMHCC – International's London Market lines. For Speciality lines, risk adjusted rate changes and/or changes in average rate are monitored regularly.

The annual corporate budgeting process comprises a three year plan which incorporates TME's underwriting strategy by LOB and sets out the classes of business, the territories and the industry sectors in which business is to be written. The Plan is approved by the Directors and monitored by the underwriting committees on a quarterly basis.

Underwriters calculate premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include, but are not limited to, the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses using rating and other models.

Reinsurance is one of the major risk mitigants used to protect the TME balance sheet. Whilst gross line size is limited to ensure there is a reasonable balance between gross line size and premium and shareholder equity/net assets, our potential retentions, especially on the CAT exposed business, are managed closely and reinsurance is used to control net exposures. Further details of our reinsurance strategy may be found under "Reinsurance Risk" section below.

TME also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

To address this, TME sets out its risk appetite (expressed as PML estimates 'PML and modelled return period events) in certain territories as well as a range of events such as natural CATs and specific scenarios which may result in large industry losses. The aggregate position and modelled loss scenarios are monitored at the time of underwriting a risk and reports are regularly produced to highlight the key aggregations to which TME is exposed.

TME uses a number of modelling tools to monitor its exposures against the agreed risk appetite set and to simulate CAT losses in order to measure the effectiveness of its reinsurance programmes. Stress and scenario tests are also run using these models (see separate "Stress & Scenario" section below).

One of the largest types of event exposure relates to natural CAT events such as windstorm or earthquake. Where possible, TME measures geographic accumulations and uses its knowledge of the business, historical loss behaviour and commercial CAT modelling software to assess the expected range of losses at different return periods. Upon application of the reinsurance coverage purchased, the key gross and net exposures are calculated on the basis of extreme events at a range of return periods.

Risk appetites are monitored by the RCCC and the Board on a quarterly basis and include for this risk: premium volumes and rate change, probability of underwriting losses, diversity of the business being written, gross lines sizes, exposure to CATs (both natural C and others).

## Reinsurance Risk

**Nature of the Risk**

Reinsurance risk arises where reinsurance contracts:

- Do not perform as anticipated.
- Result in coverage disputes.
- Prove inadequate in terms of the vertical or horizontal limits purchased.

Failure of a reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section.

**Reinsurance Strategy, Managing & Mitigating the Risk**

Reinsurance is one of the major risk mitigation programs that TME uses to protect its balance sheet. Whilst gross line size is limited to ensure there is a reasonable balance between gross line size, premium and shareholder equity/net assets, our potential retentions, especially on the CAT exposed business, have to be managed closely; reinsurance is one of the key risk tools enabling us to do this.

TME's control procedures around Reinsurance purchasing are very tight, with authority for final purchase residing with the TMHCC Group CEO. However, the recommendation around structure, retention and vertical purchasing are made at the local level and are made utilizing the detailed knowledge of the risks being protected, ensuring appropriate balance and an acceptable ratio between net retention and premium by account and overall net equity. Where there is a difference between the overall Group's appetite for risk and that of the International operations and the Group's appetite is higher, internal reinsurance protection is offered from one of the Group subsidiaries to achieve local balance requirements.

TME maintains a Reinsurance Strategy and Purchasing Plan which are updated and submitted to the TME Board annually. The Purchasing Plan details retention and vertical cover purchased for each class of business along with reinsurance pricing and reinstatement details.

Reinsurance structure is dependent on class and our ability to obtain competitive open market terms. We are predominantly XoL purchasers and use over placement layers to protect against reinstatement costs and manage retentions. Our reinsurance process includes modelling our reinsurance program against significant historic events and against significant EXACT/RMS modelled events across our peak exposure areas, allowing us to test our program and ensure breadth of coverage is independently verified. This independent check is carried out by our reinsurance department who are independent from the reinsurance purchasing.

Retention levels vary by class and the retentions are set based on our overall risk appetite, the return that we expect to make over the cycle based on historical experience and expected future rating levels; as well as our ability to purchase cost effective reinsurance cover.

If the latter is not available we then are faced with three choices:

- to increase retention assuming the overall retention levels remain within our overall risk tolerances;
- purchase the reinsurance at the price offered and accept the reduced return as a result;
- not write the business.

During 2023 we have maintained our stance in respect of reinsurance purchasing and tried to maximise opportunities, given being part of a much bigger group which can have an effect on reinsurance purchasing.

We also use QS reinsurance where we have a less balanced portfolio or we have concerns about underlying profitability. The product allows us to reduce volatility in the results by reducing the relative levels of losses. Where we purchase QS reinsurance we try to ensure that no event limit is included and if it is, it is set very high and at a level that would only be triggered by very extreme tail events. We try to ensure the ceded commissions more than exceed our costs of writing the business and that we achieve an overrider and profit commission.

As stated above, TME is part of a much bigger group and this affords the opportunity to take larger retentions in certain situations. Reinsurance purchase still, however, is purchased at the entity/segment level and retentions are maintained consistent with local Board and management requirements. Where the Group would like to take bigger retentions and these are not in line with local management/Board risk appetites then Tokio Marine will take a participation on open market purchased programmes.

The risk appetites of TME are measured at both an overall organisational and a Legal Entity level. The expectation is that reinsurance is purchased to adequately protect the balance sheet in the event of a significant market event, a potential individual large risk loss or systemic losses caused by a single event including: vertical protection, retentions versus annual aggregate losses (for CAT exposed lines), retentions versus LOB maximum line size (for attritional lines), net exposure to CAT losses, exposure to reinsurance credit losses and exposure to individual reinsurers.

During 2023, TME has in place certain intragroup reinsurance arrangements on LOBs that would otherwise fall outside TME's Risk Appetite, due to business mix, volatility, or line sizes. These include QSs on the J Business, Financial Lines, IP and Bloodstock leaving TME zero net retention on these LOBs and a stop loss on Treaty Reinsurance, to protect TME against adverse volatility.

## Claims Management Risk

**Nature of the Risk**

Claims management risk may arise within TME in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage our brand and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claim life cycle.

**Managing & Mitigating the Risk**

TME's claims teams are focused on delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

Risk appetites are monitored by the RCCC and Board on a quarterly basis and include for this risk: incurred claim movements, case reserve stability, volume of denials and volume of complaints.

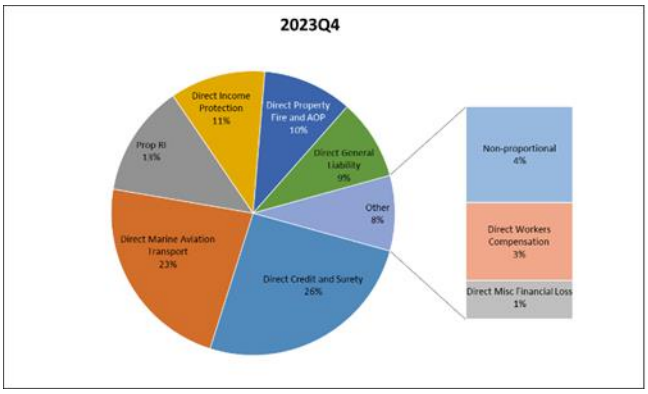
## Reserving Risk

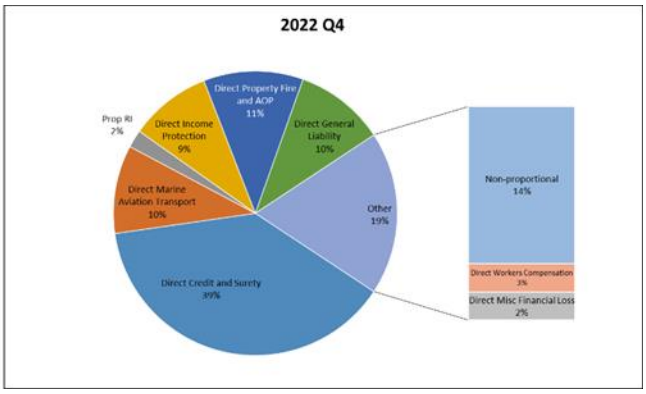
**Nature of the Risk**

Reserving risk occurs within TME where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts.

**Risk Profile & Concentration of the Risk**

The pie charts below illustrate the concentration of the Solvency II Net Claims Provisions by LOB, for Q4 2023 and Q4 2022, including unallocated loss adjustment expenses.




The discounted net claims provisions have increased from $120 million at Q4 2022 to $150 million at Q4 2023. The main driver of the increase related to the continued development of new classes of business being written by TME on Proportional Reinsurance and Direct Marine Aviation Transport (MAT).

The overall split by LOB has remained relatively stable following the initial establishment of the platform, with the major changes being the decrease of Credit and Surety and Non-Proportional Reinsurance, compensated by the increase of Proportional Reinsurance, combined with MAT.

Such changes in LoB distribution are to be expected to arise from time to time due to natural variability and volatility, given the small size and relative immaturity of TME.

It should be noted that the reserves as a whole are concentrated in the Credit & Surety, MAT and Proportional Reinsurance classes, which accounts for roughly 62% of the reserves. However, it would be expected to diversify further as the newer classes of business become more mature illustrated by an increase in the MAT and Income Protection and Property Fire and AOP classes in the charts above.

**Managing & Mitigating the Risk**

The objective of TME's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business. TME's reserving process is governed by the IBNR Committee, a subcommittee of the TME Board, which meets on a quarterly basis (more frequently if catastrophic events require). The membership of the IBNR Committee is comprised of executives, actuarial, claims and finance representatives. A fundamental part of the reserving process involves information from and recommendations by each underwriting team for each underwriting year and reserving class of business. These estimates are compared to the actuarial estimates (described in further detail below) and management's best estimate of IBNR is recorded. It is the policy of TME to carry, at a minimum, the actuarial best estimate (sometimes referred to as the actuarial mid-point) of total reserves. It is not unusual for management's best estimate to be higher than the actuarial best estimate.

The actuarial reserving team uses a range of recognised techniques to project current paid and incurred claims and monitors claim development patterns. This analysis is then supplemented by a variety of tools including back testing, scenario testing, sensitivity testing and stress testing.

Risk appetites are monitored by the RCCC and Board on a quarterly basis and include for this risk: maintaining LUX GAAP reserves at, or above, actuarial midpoint; monitoring any reserve deteriorations.

## *C2 Market Risk*

**Nature of the Risk**

Market risk arises where the value of assets and liabilities or future cash flows change as a result of fluctuations in economic variables, such as movements in foreign exchange rates, interest rates and market prices.

For foreign exchange risk, TME's functional and reporting currency is the US Dollar and when possible TME generally hedges currency liabilities with assets in those same currencies of similar value and duration. Excess assets are generally held in US Dollars. The effect of this on foreign exchange risk is that TME is mainly exposed to revaluation FX gains/losses of unmatched non-US Dollar denominated positions.

For interest rate risk, some of TME's financial instruments, including cash and certain financial assets measured at fair value, are exposed to movements in market interest rates.

**Risk Profile & Concentration of the Risk**

A full list of assets, under Solvency II valuation rules may be found in Quantitative Reporting Templates (QRT) S.06.02. In summary, the split of assets for TME, as at 31 December 2023, is as follows:

| Asset Type & Rating<br>TME | 2023 Asset Value ($m) | 2022 Asset Value ($m) |
|---|---|---|
| Government Bonds AAA | 12.1 | 16.7 |
| Government Bonds AA+ | 10.8 | 9.4 |
| Government Bonds AA | 13.6 | 15.0 |
| Government Bonds AA- | 13.9 | 12.8 |
| Government Bonds A+ | 8.2 | 7.2 |
| Government Bonds A | 3.2 | 4.9 |
| Government Bonds A- | 1.4 | 1.4 |
| Corporate Bonds AAA | - | 4.9 |
| Corporate Bonds AA+ | 4.7 | - |
| Corporate Bonds AA | 2.6 | 11.2 |
| Corporate Bonds AA- | 32.6 | 25.7 |
| Corporate Bonds A+ | 53.7 | 55.6 |
| Corporate Bonds A | 63.5 | 61.5 |
| Corporate Bonds A- | 111.6 | 61.6 |
| Corporate Bonds BBB+ | 64.6 | 26.1 |
| Corporate Bonds BBB | 30.3 | 21.0 |
| Corporate Bonds BBB- | 5.7 | 3.0 |
| Corporate Bonds BB | 1.0 | - |
| Collateralised Securities AAA | - | 29.5 |
| Collateralised Securities AA+ | 32.6 | - |
| Cash & Cash Equivalents | 25.0 | 45.2 |
| Deposits other than cash equivalents | 36.9 | 61.9 |
| Collective Investment Funds | 4.2 | 25.3 |
| Property, Plant & Equipment held for own use | 1.8 | 1.9 |
| **Total** | **534.1** | **501.9** |

It should be noted that there are no derivatives within the investment portfolio. The collateralised assets represent collateral for various Credit contracts.

**Managing & Mitigating the Risk**

Managing investment risk as a whole is fundamental to the operation and development of our investment strategy key to the investment of Group assets.

The Investment Committee has an objective to ensure funds are invested in accordance with the "prudent person principle", whereby: i) assets are of appropriate security, quality and liquidity; ii) are adequately diversified and localised; and iii) broadly match the liabilities in terms of value and duration. This is achieved by: i) setting an appropriate strategy and risk appetite; ii) regular monitoring of the portfolio against key metrics (outlined at the end of the section); and iii) use of independent experts.

The investment strategy is developed by reference to an investment risk budget, set annually by the Directors as part of the overall risk budgeting framework of the business. The investment risk budget is set at a level such that the amount of an investment loss, at the 1-in-200 Tail Value at Risk level, is limited to TME's excess capital (above the regulatory minimum).

Investment strategy is consistent with this risk appetite and investment risk is monitored on an ongoing basis with the assistance of NEAM who serves as TMHCC's asset management firm.

For foreign exchange risk, TME operates in three main currencies: Euros, US Dollars and Pound Sterling. Transactions in all currencies are converted to the US Dollar functional currency on initial recognition with any balances on monetary items at the reporting date being translated at the US Dollar spot rate. Foreign exchange risk is mitigated by the fact that most of our premiums and claims are paid in Euros. Additionally, our Finance department regularly monitor and address where necessary currency mismatches between assets and liabilities.

For interest rate risk, TME manages interest rate risk by investing primarily in short duration financial assets along with cash. The Investment Committee monitors the duration of these assets on a regular basis.

Changes in interest rates also impact the present values of estimated liabilities, which are used for solvency calculations. Our investment strategy reflects the nature of our liabilities, and the combined market risk of investment assets and estimated liabilities is monitored and managed within specified limits.

Risk appetites are monitored by the RCCC and Board on a quarterly basis and include for this risk: investment returns, asset durations, currency mismatches, volume of risk assets and asset security ratings.

## *C3 Credit Risk*

**Nature of the Risk**

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for TME are:

- Reinsurers – whereby reinsurers may fail to pay valid claims against a reinsurance contract held by TME.
- Brokers and coverholders – whereby counterparties fail to pass on premiums or claims collected or paid on behalf of TME.
- Investments – whereby issuer default results in TME losing all or part of the value of a financial instrument.
- Financial institutions holding cash.

## Risk Profile & Concentration of the Risk

**Reinsurers**

The table below shows the credit rating, based on S&P ratings, of the reinsurers backing the reinsurance programme. As the programme is shared across all TMHCC International entities, the figures shown relate to all entities as at 31/12/2023.

| Reinsurer Rating | Proportion of Reinsurance Exposure[1] |
|---|---|
| AA+ | 0.0% |
| AA | 4.6% |
| AA- | 31.6% |
| A+ | 43.3% |
| A | 12.4% |
| A- | 2.8% |
| NR | 5.3% |

*[1]: Reinsurance Exposures based on based on XoL first loss contracts, across all entities*

**Investments**

The credit weighting relating to assets is shown under C2 – Market Risk.

**Managing & Mitigating the Risk**

TME's core business is to accept significant insurance risk and the appetite for other risks is low. This protects TME's solvency from erosion from non-insurance risks so that it can meet its insurance liabilities.

Due to the significant intra-company reinsurance arrangements between TME and TMHD, TMK, and HCCII, TME maintains a high amount of counterparty exposure to TMHD Group companies. However, TME limits exposure to a single counterparty or a group of counterparties that are external to the TMHD Group and analyses the geographical locations of exposures when assessing credit risk. The Financial Lines QS and Treaty Reinsurance Stop Loss contract, with HCCII, are inclusive of parental guarantees.

An approval system also exists for all new brokers and coverholders and their performance is carefully monitored. Regular exception reports highlight trading with non-approved brokers, and TME's credit control function frequently assesses the ageing and collectability of debtor balances. Any large, aged items are prioritised and where collection is outsourced incentives are in place to support these priorities.

The Investment Committee has established comprehensive guidelines for TME's investment managers regarding the type, duration and quality of investments acceptable to TME to ensure credit risk relating to the investment portfolio is kept to a minimum. The performance of our investment managers is regularly reviewed to confirm adherence to these guidelines.

TME has developed processes to formally examine all reinsurers before entering into new business arrangements. New reinsurers are approved by the reinsurance approval group, which also reviews arrangements with all existing reinsurers at least annually. Vulnerable or slow-paying reinsurers are examined more frequently. To assist in the understanding of credit risks, A.M. Best, Moody's and S&P ratings are used.

Risk appetites are monitored by the RCCC and Board on a quarterly basis and include for this risk: reinsurers security rating, reinsurance exhaustion, exposure to individual reinsurers, aged outward reinsurance balances, exposure to individual brokers, exposure to individual investment holdings.

# *C4 Liquidity Risk*

**Nature of the Risk**

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. TME is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. In the majority of cases, these claims are settled from premiums received.

**Risk Profile & Concentration of the Risk**

A significant proportion of assets are readily realisable. This allied with the regular inflow of premiums means that a very high level of liquidity is maintained, should the need arise.

**Managing & Mitigating the Risk**

TME's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event (details of TME's management of its exposure to loss scenarios are provided above under the heading of Underwriting Risk). This means that TME maintains sufficient liquid assets, or assets that can be converted into liquid assets at short notice and without any significant capital loss, to meet expected cash flow requirements. TME can also draw on parental funds to bridge short-term cash flow requirements, should the need arise. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return. TME can also draw on parental funds to bridge short-term cash flow requirements, should the need arise.

The total amount of the expected profit included in future premiums as calculated in accordance with Article 260(2), which is now on a gross of reinsurance basis, is $85 million (2022: $84 million). Future premiums come from either current balances or unincepted premiums. For current balances, it is assumed that they related to unearned business. Future profit is assessed by comparing these premiums to: i) losses derived by applying the same loss ratio as for the whole unearned premium reserve (UPR), which are derived from the Solvency II technical provision process and are based on actuarial Initial Expected Ultimate Loss Ratios (IEULRs) or corresponding budget loss ratios (for those lines not actuarially analysed); and ii) expenses derived by using the expense ratio of the whole of UPR, which are derived from the Solvency II technical provision process.

Risk appetites are monitored by the RCCC and Board on a quarterly basis and include for this risk: inwards and outwards aged debts, asset and liability duration measures.

## *C5 Operational Risk*

**Nature of the Risk**

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or external events. Operational risk includes conduct risk.

As TME is a still a relatively new entity with expanded European branch operations, we believe operational risk is currently elevated and this is reflected in the risk profiles shown below. As we continue to strengthen and embed our risk management framework across the organisation, we believe operational risk will reduce to levels consistent with TMHCC – International's other legal entities.

**Risk Profile & Concentration of the Risk**

The tables below show the top 5 worst case and near term risks for TME from the 2023 Operational Risk scenario review.

| Worst Case As at 31 Dec 2023 | Near Term As at 31 Dec 2023 |
|---|---|
| Data Protection | Loss of Key Personnel |
| Conduct Risk | Conduct Risk |
| High Profile Third Party Disputes | Cyber Resilience Risk |
| Loss of Key Personnel | Data Quality Risk |
| Procurement & Supplier Management Risk | Failure to Meet Tax Requirements |

**Managing & Mitigating the Risk**

TME actively manages and minimises operational risks where appropriate. This is achieved by implementing and communicating guidelines and detailed procedures and controls to staff and other third parties. TME regularly monitors the performance of its controls and adherence to procedures through the risk management reporting process. Key components of TME's operational control environment include:

- modelling of operational risk exposures and scenario testing;
- management review of activities;
- documentation of policies and procedures;
- preventative, directive and detective controls within key processes;
- contingency planning;
- other systems' controls.

Addressing conduct risk has always been treated as a priority irrespective of the regulatory emphasis on the selling of financial products, including insurance products, to consumers. TME's primary objective is that all policyholders should receive fair treatment throughout the product lifecycle, which requires the effective management of conduct risk. However, conduct risk is not limited to the fair treatment of customers and our Conduct Risk Policy broadly defines conduct risk as "…the risk that detriment is caused to TME, our customers, clients or counterparties because of the inappropriate execution of our business activities".

TME therefore seeks at all times to perform its business activities in a manner that is not only fair, honest and transparent but that also complies fully with applicable Lux and International laws and regulations and internal policies and procedures. We ensure that this ethos is clearly communicated from the TME Board downwards to all members of staff and oversight is provided throughout the governance structure, primarily by way of the Product Governance and Distribution Committee. Day-to-day responsibility for monitoring the fair treatment of customers and broader aspects of conduct risk resides with the TME Compliance Department which undertakes scheduled reviews as part of a comprehensive Compliance Monitoring schedule.

Risk appetites are monitored by the RCCC and Board on a quarterly basis and include for this risk: turnover (including from key staff), salary and benefits benchmarking, staff sickness, IT and other projects, data quality, compliance with regulations and standards.

In order to meet the requirements of Operational Resilience, the Operational Resilience Office (ORO) was established in October 2022 with the appointment of a Head of Operational Resilience. The ORO works with all interested parties to enhance Operational Resilience across the enterprise and meet Digital Operational Resilience Act 2022/2554 requirements. To track the implementation of Operational Resilience, the ORO reports to the Operational Risk Group on a quarterly basis, providing status updates on each of the core pillars required to be completed before January 2025.

## *C6 Other Material Risks*

This section covers strategic, regulator and group risks which TME manages together, but which are outlined separately below. Sustainability Risk which could represent a material risk to TME is also outlined, as well as uncertainties related to other current prominent risks, such as the Russia/Ukraine conflict, and inflation risk.

### Strategic Risk

**Nature of the Risk**

This is the risk that TME's strategy is inappropriate or that TME is unable to implement its strategy. Where an event occurs outside TME's strategic plan, this is escalated at the earliest opportunity through TME's monitoring tools and governance structure.

**Managing & Mitigating the Risk**

On a day-to-day basis, TME's management structure encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled. By focusing on the needs of their customers and demonstrating both progressive and responsive abilities, staff, management and outsourced service providers are expected to excel in service and quality. Individuals and teams are also expected to transact their activities in an open and transparent way. These behavioural expectations reaffirm low risk tolerance by aligning interests to ensure that routine activities, projects and other initiatives are implemented to benefit and protect resources of both local business segments and TME as a whole.

Risk appetites are monitored by the RCCC and Board on a quarterly basis and include for this risk: combined ratio, net earnings versus budget, probability of a net loss, expenses, Solvency II available assets.

## Regulatory Risk

**Nature of the Risk**

Regulatory risk is the risk arising from not complying with regulatory and legal requirements. The operations of TME are subject to legal and regulatory requirements within the jurisdictions in which it operates and TME's compliance function is responsible for ensuring that these requirements are adhered to. Regulatory risk includes capital management risk, which is owned by the finance team.

**Managing & Mitigating the Risk**

Our compliance department employ a team of experts with experience in the regulatory jurisdictions in which TME operate. Where there is a potential language barrier or less experience in a particular jurisdiction, our compliance team will engage local attorney consultants for assistance.

The capital and solvency requirements for TME are determined using the Solvency II Standard Formula. Nevertheless, identifying a capital buffer above the regulatory minimum is considered prudent. We have implemented a method, consistent with TME's stated risk appetite, whereby a buffer equal to a 1 in 25 return period loss is added to the SCR.

This self-imposed economic capital requirement therefore reduces the availability of 'free' assets from those allowed by the Standard Formula calculation.

## Group Risk

**Nature of the Risk**

Group risk occurs where business units fail to consider the impact of their activities on other parts of the overall Group, as well as the risks arising from these activities. There are two main components of Group risk, Contagion and Reputation, which are explained below.

Contagion risk is the risk arising from actions of one part of a group which could adversely affect any other part of the group. TME is a member of the TMHD Group and therefore may be impacted by the actions of any other group company.

Reputation risk is the risk of negative publicity as a result of the TMHD's contractual arrangements, customers, products, services and other activities.

**Risk Profile & Concentration of the Risk**

TME engages in some Intra-group transactions, which are transacted on an arm's length or open market basis, where relevant.

**Managing & Mitigating the Risk**

Contagion risk is managed by operating with clear and open lines of communication across TMHCC International to ensure all entities are well informed and working to common goals.

For reputation risk, TME's preference is to minimise reputation risks, but it is not possible or beneficial to avoid them, as the benefits of being part of the Tokio Marine brand are significant. We consider reputation risk as an impact on all risk events in the Risk Register, but not as a risk in its own right.

## Sustainability Risk

**Nature of the Risk**

The issue of Sustainability, whether it relates to the strategic and operational risks of addressing environmental, social and governance concerns, including change, or our social responsibilities to both our external and internal stakeholders, is not a new risk, but its profile has been raised significantly over the last few years.

**Managing & Mitigating the Risk**

Sustainability risk, including climate change risk, continues to be recognised as a continuing key risk for TME. 2023 saw further work in terms of: 1) continuing to embed Sustainability risk within its governance and risk frameworks; 2) further development of risk appetites, and risk metrics to monitor them, particularly with regard to investments; 3) further work on potential quantitative impacts of climate change, including capital assessments and impacts from Reverse Stress Tests; and 4) development of various initiatives including Business Travel initiative to allow for future CO2 emissions data capture.

### Inflation Risk

**Nature of the Risk**

Inflation risk, particularly social inflation, has become a hot topic in the industry.

**Managing & Mitigating the Risk**

Given recent rises in interest rates and consumer prices, the issue of inflation, including social inflation, remains a current hot topic in the industry, driven by concerns over supply chains, transport costs and recruitment/retention. Management has looked at how the risk is being mitigated in the areas of underwriting, claims, reserving and capital modelling, noting that the impact of inflation will vary widely by LOB. Explicit allowance for inflation is now incorporated within the reserving process and within the capital model. Management have concluded that the mitigations for this risk remain appropriate. In the current inflationary environment, the risk is being kept under close review.

### Outsourcing & Supplier Management Risk

**Nature of the Risk**

As the organisation grows, reliance on outsourcing and supplier management also increases, through the ever greater use of cloud service providers to ensure system/data back-up capabilities, or the increased use of coverholders, arising from new LOBs such as Delegated Property.

**Managing & Mitigating the Risk**

Outsourcing and supplier management is a key focus for TME, in light of greater reliance on cloud service providers and increased use of coverholders. Strong risk governance in this area is vital to ensure uninterrupted service to both external and internal stakeholders. It is also a sub-component of Supply Chain risk, which is an area subject to increased scrutiny with regulatory focus on insurers and their ability to demonstrate their operational resilience in this regard. Against a backdrop of increased digitalisation of the insurance market and escalating cyber-security threats, robust supply chain management is paramount. A central Vendor Management System has been purchased, and is being implemented, as part of a project that will enhance the performance of due diligence and monitoring against service standards. Resilience standards are also in the process of being developed to ensure that any disruption experienced by TME's material outsourcers does not impact the service they provide to the company.

## *C7 Any Other Information*

### Top 10 Risks

The table below identifies the top ten risks, on both a worst case and near term scenario basis for TME, as a result of the most recent risk register review and scoring exercise.

| Worst Case As at 31 Dec 2023 | Near Term As at 31 Dec 2023 |
|---|---|
| Catastrophe/Large Losses Outside of Business Plan | Reserving Risk |
| Reserving Risk | Systemic Losses Outside of Business Plan |
| Systemic Losses Outside of Business Plan | Catastrophe/Large Losses Outside of Business Plan |
| Investment Market Volatility | Investment Market Volatility |
| Selection Risk | Selection Risk |
| Data Protection | Foreign Exchange Risk |
| Outwards Reinsurance Risks | Outwards Reinsurance Risks |
| Conduct Risk | Loss of Key Personnel |
| Foreign Exchange Risk | Failure of Investment Counterparty |
| High Profile Third Party Disputes | Conduct Risk |

On both a worst case and near term basis, insurance and market risks constitute the majority of the top ten risks. These quantifications are derived from TME's economic capital model. The operational and credit risks are calculated from scenario analysis performed with risk owners.

In addition to identifying the quantitative nature of the risks, we also look at the qualitative nature that takes into account the controls we have in the business to reduce these risks and assign residual score probability and impact assessments to each of the risks in turn, independently of the worst case scenarios.

The business, by its very nature, has the potential for some significant losses and it is important that these exposures are mitigated. The Board is comfortable, based on the above analysis, that these risks are adequately mitigated and therefore would not expect these losses to occur, even in the tail.

## Stress & Scenario Testing

As part of the overall process of risk control and in consideration of business strategy, capital setting and understanding the risk profile, various adverse stress scenarios are considered by the business. These include: 1) reverse stress tests, which look at events or combination of events that could threaten the viability of the business; 2) compound scenarios, which identify various nearer term scenarios that help the business better understand risk drivers of TME; and 3) stress tests around business plans, to identify key assumptions and risks to achievement.

The table below outlines our compound scenarios (also called Stress & Scenario Tests, or SSTs) and provides an indication of the potential impact of such an event on the Solvency II Coverage Ratio (i.e. Own Funds/SCR).

| Scenario | Summary of Scenario | Potential Impact on Coverage Ratio Post Scenario |
|---|---|---|
| **SST1**<br>**Scenario driven by Operational Losses** | SST 1.1 - Significant Losses caused by a loss of key personnel.<br>It is calibrated to an estimated 1 in 20-year event. | **-8%** |
| | SST 1.2 - Loss of key revenue stream.<br>It is calibrated to an estimated 1 in 50-year event. | **-3%** |
| **SST2**<br>**Large event and business continuity** | A combination of Nat Cat, pandemic or other large event which impacts business continuity.<br>It is calibrated to an estimated 1 in 50-year event. | **-43%** |
| **SST3**<br>**A significant loss impacting a LOB** | A significant loss impacting a LOB, arising from events such as the collapse of a major counterparty or political unrest.<br>It is calibrated to an estimated 1 in 10-year event. | **-25%** |
| **SST4**<br>**Cyber Loss** | Cyber-attack impacting the business.<br>It is calibrated to an estimated 1 in 50-year event. | **-6%** |
| **SST5**<br>**Latent Liability Claims** | A significant change in legislation causes previous outstanding losses to increase such as latent liability claims.<br>It is calibrated to an estimated 1 in 20-year event. | **-7%** |

## Emerging & Current 'Live' Risks

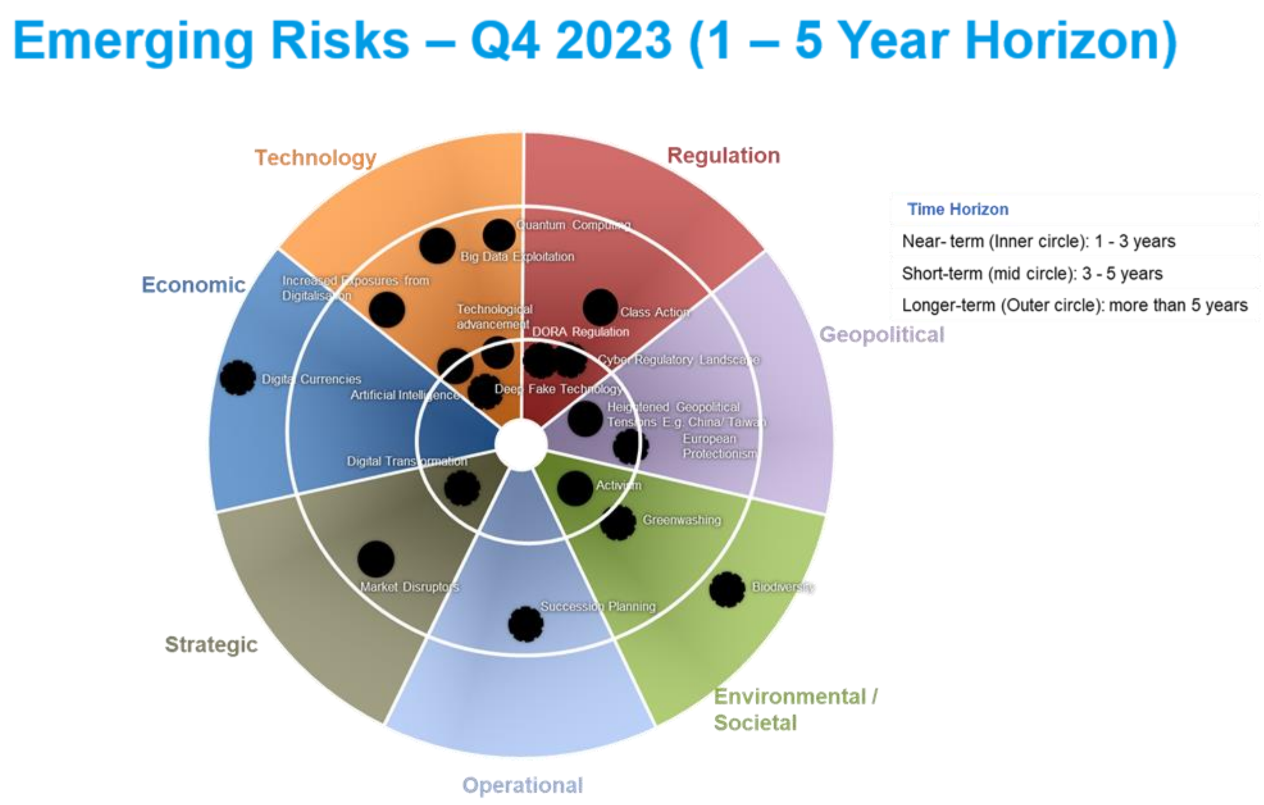
Identification and analysis of emerging risks is key to ensuring that the business strategy is sound and considers areas of potential impact that may not be apparent in today's environment.

TME defines emerging risks as any issue perceived to be potentially significant, but which is not currently fully understood or allowed for in the business strategy, insurance terms, pricing, reserving or capital setting. Emerging risks that have been identified and are considered to be rapidly developing, with impacts that could materialise within a time horizon of 12 months, are monitored though a Live Risk Tracker.

Emerging risks are considered when performing a number of key processes throughout the year. Initially these are considered as part of the annual strategic and business planning process involving all risk owners across the underwriting units, but also overlaid with assessment from support functions – as part of forecasting for the year(s) ahead. Each is asked to consider whether there are i) any emerging risks in their area of ownership and ii) whether they believe this could have an adverse impact on achieving the stated objectives of TME. In addition, emerging risks are discussed within the quarterly review of the risk register and considered when reviewing the risk register for completeness.

Overall, management believes the business monitors emerging risks appropriately and considers their impact on TME proportionately.

The radar below provides details of those areas identified as emerging as at Q4 2023. As noted above, the items included for consideration on the emerging risk radar are tightly defined as those areas which are not currently allowed for in the business strategy, insurance terms, pricing, reserving or capital setting in any capacity. This creates a very focussed analysis of risks, affording the monitoring and management of these to be closely governed.



# Section D – Valuation for Solvency Purposes

The Solvency II Directive (Article 75) requires that an economic, market consistent approach to the valuation of assets and liabilities is taken. The basis of preparation of the assets and liabilities for solvency purposes is aligned with the basis of preparation of the Luxembourg statutory financial statements, unless otherwise documented below. This applies to TME Solvency II Own Funds valuation.

The TME financial statements have been prepared in conformity with LUX GAAP on a going concern basis.

The table below summarises the Solvency II and the LUX GAAP valuation of assets and liabilities for TME, based on the Solvency II balance sheet headings and the Solvency II approach to classifying assets and liabilities. An explanation of the Solvency II valuation methods and assumptions, including key differences to those used under LUX GAAP is provided in the subsequent sections.

| **$'000** | **TME** | | **TME** |
|---|---|---|---|
| | **31 Dec 2023** | | **31 Dec 2022** |
| **Assets *(D.1)*** | **LUX GAAP** | **Solvency II** | **Solvency II** |
| Investments | 515,517 | 507,284 | 454,807 |
| Deferred tax assets | - | - | 6,623 |
| Deferred acquisition costs | 48,050 | - | - |
| Property, plant & equipment held for own use | 1,755 | 1,755 | 1,913 |
| Reinsurance recoverables from Non-Life | 916,229 | 650,646 | 590,559 |
| Insurance and intermediaries receivables | 167,871 | 75,767 | 66,935 |
| Reinsurance receivables | 133,738 | 119,717 | 61,312 |
| Receivables (trade, not insurance) | 40,542 | 40,542 | 22,459 |
| Cash and cash equivalents | 25,035 | 25,035 | 45,218 |
| Any other assets, not elsewhere shown | 4,675 | 473 | 700 |
| **Total Assets** | **1,853,412** | **1,421,219** | **1,250,526** |
| **Liabilities *(D.2-3)*** | | | |
| Technical provisions – Non-Life *(D2)* | 1,195,014 | 818,476 | 720,708 |
| Deferred tax liabilities *(D3)* | - | 7,913 | - |
| Insurance & intermediaries payables | 31,253 | 31,253 | 29,592 |
| Reinsurance payables | 125,678 | 87,650 | 141,149 |
| Payables (trade, not insurance) | 182,589 | 182,589 | 25,233 |
| Any other liabilities, not elsewhere shown | 43,590 | - | 108,510 |
| **Total liabilities** | **1,578,124** | **1,127,881** | **1,025,192** |
| **Excess of assets over liabilities** | **275,288** | **293,338** | **225,334** |

## *D1 Assets*

The Solvency II adjustments and valuation approach for each asset group in the above balance sheet order are detailed below with the exception of the technical reserves that are discussed in Section D2.

### Investments

At 31 December 2023, TME investments were as follows:

| $'000<br><br>31 Dec 2023 | LUX GAAP | Reclassification | Valuation adjustment | Solvency II | Solvency II 31 Dec 2022 |
|---|---|---|---|---|---|
| Government bonds | 70,793 | 612 | (8,193) | 63,212 | 67,467 |
| Corporate bonds | 368,892 | 3,480 | (1,965) | 370,407 | 270,648 |
| Collateralised securities | 34,758 | 109 | (2,276) | 32,591 | 29,521 |
| Collective investments undertakings | 4,214 | - | - | 4,214 | 25,311 |
| Deposits other than cash equivalents | 36,860 | - | - | 36,860 | 61,860 |
| **Investments** | **515,517** | **4,201** | **(12,434)** | **507,284** | **454,807** |

**Solvency II Reclassification**

Under LUX GAAP, prepayments and accrued interest on fixed income investments is included within 'Other Assets, not elsewhere shown'. The Solvency II reclassification adjustments in Bonds and collateralised securities, are in relation to this accrued interest, being reclassified to investments under Solvency II.

**Bonds, Securities, Equities and Collective Investment Undertakings Valuation**

Under LUX GAAP, TME values its debt securities and other fixed income transferable securities at amortised cost, with premiums and discounts amortised over the period to maturity. The amortised cost of debt securities and other fixed income transferable securities are evaluated periodically and adjusted for credit risk in cases where a decrease in the ultimate recovery value is considered to be of a durable nature. These value adjustments may not be carried when the reasons for which they were made cease to apply.

Shares and other variable yield transferable securities and units in unit trusts are valued at the lower of acquisition cost, including expenses incidental thereto and calculated based on the specific identification method, and market value. A value adjustment is recorded where the market value is lower than the purchase price. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Under Solvency II, TME values its financial investments at fair value in accordance with Solvency II.

The fair value measurement of these financial investments is in accordance with the following:

- Level 1 – Inputs are based on quoted prices in an active markets.

  TME's Level 1 investments consist of US Treasuries, money market funds and equity securities traded in an active exchange market. TME uses unadjusted quoted prices for identical instruments to measure fair value.

- Level 2 – recent transactions in an identical or similar asset in the absence of quoted prices in active markets at the balance sheet date or are derived from or corroborated by observable market data.

  TME's Level 2 investments include its fixed maturity securities, which consist of U.S. government agency securities, foreign government securities, municipal bonds (including those held as restricted securities), corporate debt securities, bank loans, middle market senior loans, foreign debt securities, mortgage-backed and asset-backed securities (including collateralized loan obligations). TME measures fair value for the majority of its Level 2 investments using matrix pricing and observable market data, including benchmark securities or yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, bids, offers, default rates, loss severity and other economic measures. The Group measures fair value for its structured securities using observable market data in cash flow models.

TME is responsible for the prices used in its fair value measurements and uses independent pricing services to assist itself in determining fair value of all of its Level 2 investments. The pricing services provide a single price or quote per security. TME uses data provided by TME's third-party investment managers to value its Level 2 investments. To validate that these quoted prices are reasonable estimates of fair value, TME performs various quantitative and qualitative procedures, including:

1) evaluation of the underlying methodologies;
2) analytical review of TME's fair values against current market prices; and
3) comparison of the pricing services' fair value to other pricing services' fair value for the same investment.

No markets for the TME's investments were judged to be inactive at period end. Based on these procedures, TME did not adjust the prices or quotes provided by its independent pricing services, third party investment managers as of 31 December 2023 or at 31 December 2022.

- Level 3 – use of a valuation technique where there is no market of other transactions which is a good estimate of fair value.

These comprise financial instruments where it is determined that there is no active market or that the application of criteria to demonstrate such are Level 2 securities is impractical. That fair value is established through the use of a valuation technique which incorporates relevant information to reflect appropriate adjustments for credit and liquidity risks and maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement. TME has no Level 3 Securities.

### Deferred Acquisition Costs

For LUX GAAP, acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

For Solvency II valuation purposes, DAC is valued at nil at the balance sheet date.

### Property, Plant and Equipment

There are no Solvency II valuation adjustments to the Property, Plant & Equipment held for own use.

TME values Property, Plant and Equipment in the financial statements at cost, less accumulated depreciation and accumulated impairment expense. Cost includes the original price, costs directly attributable to bringing the assets to its working condition for its intended use, dismantling and restoration costs. Tangible assets are capitalised and depreciated on a straight line basis over their estimated useful lives.

For Solvency II purposes, the Directive states that Property, Plant and Equipment should be valued on a basis that reflects its fair value. TME believes that the depreciated cost of Property, Plant and Equipment held at 31 December 2023 is a materially fair approximation of fair market value.

### Receivables

For LUX GAAP, receivables which relate to outstanding premiums from policyholders are recognised in the financial statement as current assets. For Solvency II valuation purposes, the outstanding premiums not yet due from policyholders are reclassed to the technical provisions.

The insurance and intermediaries receivables balance represents premiums receivable due and past due adjusted for Solvency II, as noted above. The balances are all due within 12 months, their fair value is not considered to be different to their amortised cost, and so no further Solvency II adjustments are required.

The reinsurance receivables balance represents paid losses recoverable net of bad debt. The balances are all due within 12 months and their fair value is not considered to be different to their amortised cost so no Solvency II adjustment is required.

The receivables (trade, not insurance) include various balances including inter-group receivables and tax. All amounts are due within 12 months and the LUX GAAP values are considered to be appropriate fair value and therefore do not need to be adjusted for Solvency II.

### Cash and cash equivalents

Under LUX GAAP, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. There are no valuation differences between Solvency II and LUX GAAP.

### Other Assets, not elsewhere shown

Under LUX GAAP, prepayments and accrued interest on fixed income investments is included within 'Other Assets, not elsewhere shown'. The Solvency II adjustment of $4.2 million is in relation to this accrued interest, being reclassified to investments under Solvency II.

### Other matters

TME has not provided any unlimited guarantees and does not have any off balance sheet assets.

## *D2 Technical Provisions*

At 31 December 2023, the total value of net technical provisions for TME was $168 million, which included $20 million in respect of the risk margin. The movement of LUX GAAP Provisions to Solvency II net technical provisions was as follows:

The main Solvency II valuation adjustment to the technical reserves is to reverse UPR, as this is valued at nil under Solvency II. UPR represents the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment/risk profile basis.

The other Solvency II valuation adjustment represents the net impact on the claims reserves after applying the Solvency II valuation methodology detailed below. These include the reclassification of not yet due premiums from debtors and creditors.

The table below details the net technical provisions by Solvency II LOB by best estimate and risk margin.

| Net technical provisions<br>31 Dec 2023 | Net best estimate<br>$'000 | Risk margin<br>$'000 | Net technical provision<br>$'000 |
|---|---|---|---|
| Medical expense insurance | 34 | 2 | 36 |
| Income protection insurance | 14,500 | 2,012 | 16,512 |
| Workers' compensation insurance | 5,199 | 477 | 5,676 |
| Marine, aviation and transport insurance | 29,857 | 3,509 | 33,366 |
| Fire and other damage to property insurance | 40,653 | 2,716 | 43,369 |
| General liability insurance | (3,381) | 2,762 | (619) |
| Credit and suretyship insurance | 63,328 | 5,230 | 68,558 |
| Miscellaneous financial loss | (904) | 429 | (475) |
| Non-proportional health reinsurance | 909 | 81 | 990 |
| Non-proportional casualty reinsurance | 12,271 | 238 | 12,509 |
| Non-proportional marine, aviation and transport reinsurance | 2,284 | 633 | 2,917 |
| Non-proportional property reinsurance | (16,542) | 1,533 | (15,009) |
| **Total** | **148,208** | **19,622** | **167,830** |

Technical provisions are valued in accordance with Article 77 of the Solvency II Directive which states that the value of technical provisions shall be equal to the sum of the best estimate and a risk margin.

The actuarial function carries out the valuation of technical provisions and ensures continuous compliance with the requirements set out in Articles 75 to 86 regarding the calculation of technical provisions and the risks arising from this calculation.

The actuarial function's involvement in the whole reserving process allows us to opine that the technical provisions at 31 December 2023 are sufficient and the methods and assumptions used are appropriate given the nature, scale and complexity of TME's risk profile.

Sufficiency in this context means that TME is satisfied that the process for estimating technical provisions is thorough and proportionate, and that the resulting amounts are within a reasonable range that might be calculated by a number of different qualified people using various reasonable methods and assumptions.

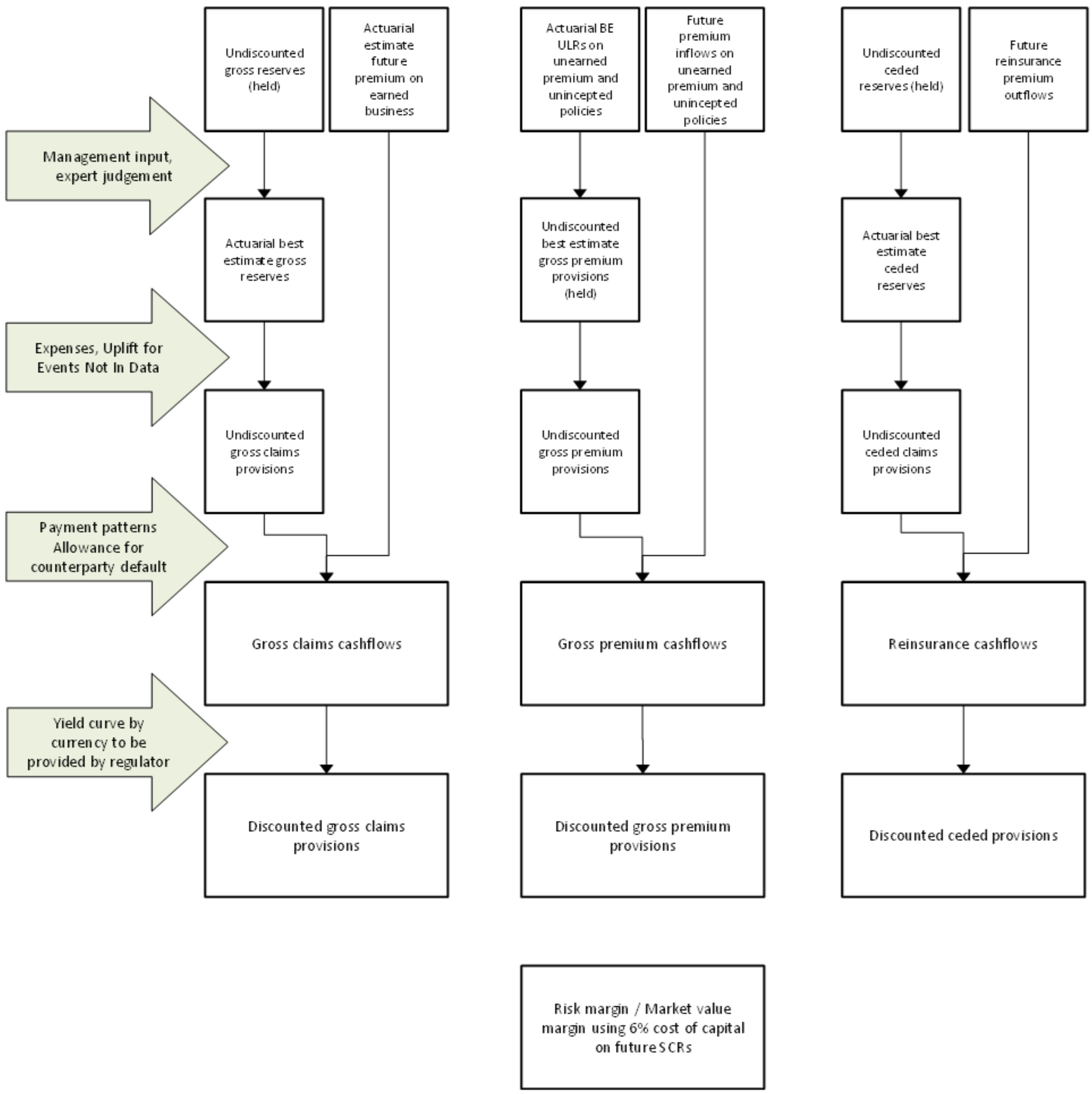
The methodologies used are consistent across all material LOBs and the key items are summarised below. In addition, we have included a heading looking at identified future enhancements.

### Technical Provisions Calculation Overview

TMHCC International, within which TME resides, builds the Technical Provisions value from 3 components: i) the undiscounted best estimates, ii) discounting credit; and iii) risk margin.

The process is summarised in the flowchart below. Further details are found in the remaining sub-sections.

**By: Line of business (TMHCC and SII); Type of loss (attritional, large, catastrophe); Currency; Geographical Area; and Country**




**Undiscounted Best Estimate Claims Provisions**

As part of TME's current reserving process, the starting point for valuing Solvency II claims provisions is the actuarial best estimate of provisions for claims including outstanding claims, IBNR and allocated loss adjustment expenses (ALAE).

For the purpose of our analysis, we subdivide the data using TMHCC International LOBs, as defined in section A, where segmentation is decided subject to similar coverage, reporting patterns, underwriting controls, claims handling and homogeneity of risks. These also reflect the way its business is underwritten, reported and managed. Further details may be found under the segmentation heading below.

In general, each LOB is written across multiple TMHCC International entities. The default position is that an analysis is carried out gross and net of reinsurance and that results be reported at both these levels. In some cases, due to the lack of reinsurance or its immaterial nature, explicit allowance is not made for reinsurance.

Full analyses of reserves take place at least annually. During the full analyses, attritional claims and large losses gross and net of reinsurance are projected to ultimate using the following four standard actuarial methods:

- Paid Chain Ladder;
- Incurred Chain Ladder;
- Incurred Bornhuetter-Ferguson;
- Loss Ratio method.

The method selected depends on the accident or underwriting year, gross or net of reinsurance perspective and the LOB. This is documented within the reserving files and analysis spreadsheets. Generally, for more developed years, the Incurred Chain Ladder is used and for less developed years, the Incurred Bornhuetter-Ferguson method is used. For the years where the Incurred Bornhuetter-Ferguson method or Loss ratio is used, the ultimate claim projected is sensitive to the IEULR assumption (also referred to as the 'prior loss ratio' assumption). TMHCC International bases its IEULRs on historical rebased loss ratios, taking into account premium rate changes and claims inflation.

**Undiscounted Best Estimate Premium Provisions**

The starting point of the premium provisions is UPR and, for bound but not incepted (BBNI), an estimate of the premium relating to policies that have an inception date post the valuation date and a bound date pre the valuation date. TMHCC International uses historical and budget data to estimate the volume of premium related to BBNI policies. This approach allows for policies bound before the valuation date, but which have not yet been captured within the policy underwriting systems at the time of calculating the Technical Provisions due to typical processing delays.

For LOBs that undergo actuarial review as part of TME's reserving process the undiscounted premium provision is calculated by applying the relevant actuarial best estimate ultimate loss ratios to the UPR and the BBNI premium amounts. Where no actuarial review has been undertaken budgeted loss ratios are assumed to represent this best estimate.

The actuarial best estimate ultimate loss ratios arise from actuarial reserving analysis and correspond to a central expectation based on relevant historical experience of prior years and adjusted where appropriate for changes in mix of business and anticipated premium rate movements and loss trends. Where the actuarial best estimate loss ratio does not include provision for large losses or catastrophes, management applies loads consistent with the internal model large loss and catastrophe parameters, to account for the future occurrence of these events.

**Undiscounted Best Estimate Reinsurance Provisions**

Reinsurance recoveries on claims provisions are calculated directly from the estimated cash flows from current ceded claims. Reinsurance recoveries on premium provisions are estimated differently depending on the type of reinsurance.

For LOBs with QS reinsurance, the ceded cash flows are calculated by applying the ceded percentage to the estimated gross claim cash flow.

For LOBs with XoL reinsurance, there will be cessions on large and catastrophe losses. Identification of the reinsurance contracts that respond to the gross losses in the premium provisions is an important aspect of estimating reinsurance recoveries as well as the associated cost of this reinsurance cover. The key considerations are the basis of the reinsurance (losses occurring or risks-attaching), the inception date of the reinsurance contract and its binding status at the valuation date.

Reinsurance contracts that have already incepted will respond to losses, regardless of the basis. As such we make full provision for any reinsurance premiums and reinsurance reinstatement premiums payable in the future and the associated reinsurance recoveries.

Losses-occurring-during reinsurance contracts that incept in the future will respond to losses that occur during the reinsurance policy period.

Unless the reinsurance contract is already bound at the valuation date, we include a portion of both reinsurance premiums payable, and losses ceded to future Losses-occurring-during reinsurance contracts to the extent that the cover relates to existing inwards business.

Risks-attaching-during reinsurance contracts that incept in the future will respond to losses incurred on policies that incept during the reinsurance treaty period only.

The BBNI inward policies, included in the technical provisions as at the valuation date, will have reinsurance treaties, incepting during the following year, attaching to their premiums and losses. A corresponding portion of the cost of this reinsurance and expected ceded losses is included in the technical provisions.

In summary, the treatment of reinsurance premiums and recoveries is as follows:

| Reinsurance contract status at point of valuation | Reinsurance premiums | Reinsurance recoveries |
|---|---|---|
| Incepted, bound | Future premiums due allowed for in full | Full allowance for expected future recoveries associated with losses arising from all incepted as well as bound-but-not-incepted inwards business that falls within scope of the technical provisions (where the purchase of reinsurance is subject to future management actions it is assumed that cover will be renewed on existing terms) |
| Unincepted, bound | | |
| Unincepted, not bound | Allow for a portion of expected premiums payable under such reinsurance contract(s) relating to the run-off of existing incepted and bound-but-not-incepted inwards business | |

**Change in expense basis**

Solvency II technical provisions are required to take account of all expenses that will be incurred in servicing insurance and reinsurance obligations. These expenses will include (but not be limited to) administrative expenses, investment management expenses, claims management expenses (including claims handling expenses) and acquisition expenses (including commissions). Any allowance for expenses should be calculated on the assumption of an ongoing business basis. This requirement is different to the approach typically adopted for statutory reporting purposes where only unallocated loss adjustment expenses are explicating considered separately, with ALAE generally included as part of the claim reserves.

## Events Not In Data

Parameterisation of models for estimating mean claims reserves using historic data will only allow for the scale of events that have been observed within the history. An Events Not In Data (ENID) loading ensures consideration of all possible future outcomes and so allows the 'true' mean to be determined.

At least three types of events should be considered:

- Outstanding events which could go one way or another with a material change in the reserves determined by the outcome, e.g. court cases establishing liability.
- Events which will affect only the premium provision, e.g. future catastrophes.
- Events which will affect both the premium provision and claims provision, e.g. future latent claims.

Management add an explicit load to the best estimate for ENIDs. The approach assumes that the distributions and Coefficients of Variation selected as part of the internal model parameterization represent truncated distributions. The level of realistically foreseeable events for this purpose is taken as 1-in-40/97.5%, noting that this is broadly in line with a once-in-a-career return period. An uplift factor is derived as the ratio of the 'true mean' to the 'mean only including realistically foreseeable events'. This factor is then scaled in line with the results of a qualitative scoring framework which assesses each LOB's relative exposure to ENIDs.

The explicit provision for ENIDs increases total technical provisions by around 1%-3% depending on business mix.

The catastrophe and large loss loads applied to prospective business should be considered in conjunction with the explicit ENID load. Catastrophe and large losses in the internal model are parameterised to best capture the prospective risk. The parameterization does not rely solely on historical losses but also on the nature and scale of current risk exposures. The catastrophe and large losses will model events not seen in TMHCC International's history. They can therefore be considered as contributing to bringing technical provisions from the 'foreseeable events' basis to 'all possible outcomes' required under Solvency II.

**Counterparty Default Risk**

Under Solvency II reinsurance recoverables should be calculated without taking account of expected losses due to default of the counterparty. An explicit adjustment for counterparty default should then be calculated and applied separately based on an assessment of the probability of default of the counterparty and the average loss-given-default. The calculation should take account of default events during the whole run-off period of the reinsurance recoverables.

We assume that the reinsurer default charge, as a percentage of ceded balances, is the same for all LOBs, i.e., we do not apply a different loss due to reinsurer default % charge to different LOBs. We have considered whether reinsurer bad debt needs to be calculated separately for premium and claims provisions, counterparty, and LOB. However, because of the relatively high credit rating of the counterparties, any more detailed analysis will not impact estimated amounts materially.

More technical details of the modelling methodology and assumptions are given in the TMHCC Internal Model counterparty default risk documentation.

TMHCC does not have any financial reinsurance arrangements or exposure to credit derivatives. As part of Internal Model development, it was established and documented that, other than in the extreme tail, counterparty default risk on policyholder debtors, deposits with ceding institutions, and letters of credit is not material and thus this is not included in technical provisions. These assumptions are consistent with the prior year.

**Cash Flows and Discounting**

Solvency II technical provisions are valued with consideration of the time value of money, and thus the potential investment income on reserves decreases the amounts of the liabilities. Cash flows are calculated by applying appropriate payment patterns to the undiscounted best estimates.

Payment patterns are derived using triangles of relevant historical paid losses. Where there is insufficient data to calculate a credible payment pattern from internal data, payment patterns from a similar LOB, adjusted or unadjusted, may be used or the payment pattern exhibited by a suitable benchmark dataset, such as the Lloyd's Market Association risk code triangles, may be used. Payment patterns may differ according to year of loss, whether the claims are attritional / large / catastrophe, or relate to gross or ceded cash flows.

The payment patterns are fitted to quarterly development data and we discount cash flows assuming payments take place at the end of each quarter.

TME uses the yield curves as provided by EIOPA. These are applied to the best estimates of undiscounted annual cash flows by currency.

**Assumptions about policyholder behaviour**

The two main areas of policyholder behaviour considered relate to lapses and renewal rates.

The valuation of the technical provisions assumes that the policies will remain in force including any policies where the policyholder has an option to lapse or TME has an option to lapse. In the expected course of events TME does not operate a policy of cancelling contracts and historical experience implies a best estimate based on no material policyholder lapses. This assumption is unchanged since the last reporting period.

**Risk Margin**

Article 37 of the Delegated Acts sets out the formula which should be used to calculate the risk margin.

The risk margin is calculated as a part of technical provisions in order to ensure that the value of technical provisions is equivalent to the amount that an undertaking would be expected to require in order to take over and meet the transferred obligations.

The method used involves the following three step process:

- Calculation of SCRs that are required to support the technical provisions at time=0 and time=1

- For estimating SCRs at t=2 onwards, we assume that future SCRs are proportional to the best estimate technical provision for the relevant year, including a cumulative uplift to allow for the increase in variability relative to the best estimate provisions. This is an appropriate simplification because TME's exposure to catastrophe risk and underwriting risk is only significant at t=0 due to potential catastrophe losses and expected future premium income over the one-year time horizon starting at t=0. The SCR at t=1 is therefore considered suitably representative of the run-off risk profile in which catastrophe and other underwriting risk is expired
- The projected SCRs are then multiplied by the cost of capital of 6% p.a. (as put forward by EIOPA) to determine the cost of providing this amount of eligible Own Funds. This cost is discounted by the risk-free rate and the sum of the discounted cost of capital for each future year over the lifetime of the business giving the total risk margin.

**Overview of material changes in the level of Technical Provisions since last reporting period**

Results for the year ended 31st December 2023 & prior year for TME are set out below.

| TME<br>$'000 | NET technical provisions comparison to prior valuations<br>2023 (2023 YE FX Rates) | 2022 (2023 YE FX Rates) | 2022 (2022 YE FX Rates) |
|---|---|---|---|
| Claims provisions | 149,556 | 123,281 | 120,092 |
| Premium provisions | (1,348) | (8,695) | (8,399) |
| Total excluding risk margin | 148,208 | 114,586 | 111,693 |
| Risk margin | 19,622 | 18,934 | 18,456 |
| **Total including risk margin** | **167,830** | **133,520** | **130,149** |

Between 31 December 2022 and 31 December 2023, the technical provisions (excluding risk margin) increased by $34 million, after allowing for FX rate movements, following a $26 million increase in claims provisions and a $7 million increase to premium provisions. The increase in claims provisions is driven by the continued development of new and existing portfolios being written on the TME platform, including GCube, Energy, Marine Hull and Marine Cargo, as well as claims experience across the Treaty, GCube and Energy accounts. The increase in premium provisions was due to the reduction in future premium receivables/payables. The risk margin has also increased by $1 million reflecting the update to SCRs and discount factors compared to last year.

**Segmentation**

Calculation of technical provisions for application of the Standard Formula and for statutory reporting requires recasting of the internal LOB segmentation into Solvency II LOB. In many cases, the Solvency II LOB is composed of multiple TMHCC International LOBs, or subsets thereof. TMHCC International LOBs are allocated to Solvency II LOB based on policy master class coding, and transaction type. This allows for the unbundling of contracts into the corresponding Solvency II LOBs. The mapping is broadly unchanged from the previous year.

**Internal data improvements, procedural changes and significant deficiencies**

One of the operational risks faced by TME is that resulting from the use of poor-quality data in processes used for determining reserving and technical provisions. In order to mitigate this risk across TMHCC International's insurance entities, TMHCC International agreed a common Data Governance Policy in late 2011 which sets out how the organisation will document the data used to perform key business processes and ensure that it is fit for purpose. From 2012 onwards, this Data Governance Policy has been applied to the Actuarial Reserving and Calculation of Technical Provisions, as they are critical business processes, with the Policy being reviewed on a regular basis.

In order to confirm that the data used to drive these processes is fit for purpose TME has assessed data quality using the criteria we have adopted for Solvency II (appropriateness, completeness, consistency & accuracy) following the process described below:

- Produced a data-flow chart for each business process that shows the datasets that flow into and out of the process, along with the reconciliation points that ensure data is consistent throughout the process.
- Documented at field level, the datasets used to drive each business process and recorded this information in the Data Directory.

- Assigned each data set to a subject matter expert and asked them to complete a standard data quality template containing an assessment as to whether that data set is complete & appropriate for its intended business usage.
- Developed a series of automated reconciliation reports that highlight any data inconsistencies between IT systems.
- Introduced compliance procedures to ensure that all relevant manual reconciliations are completed whenever a specific business process is performed.
- Introduced audit procedures to assess, report on and remedy the accuracy of those data elements that are material to the organization and are manually entered into systems.

Having applied the Data Governance Policy as discussed above the organisation believes that it has significantly reduced the residual risk relating to the use of poor-quality data. The process of extracting and processing the TP data was significantly streamlined during 2015 through the development of a Pillar 3 data mart dedicated to Solvency II reporting. The data mart is a joint initiative between the Business Intelligence and Finance teams with significant support provided by the Actuarial Function during its development.

One area of limitation has been identified, which relates to the lack of IBNRs being available at the required level of granularity (e.g., origin period / currency / risk code combinations). This is remediated by incorporating allocation algorithms in the Pillar 3 data mart.

**Group adjustments to individual technical provisions**

This is not applicable for TME's technical provisions.

**Third country insurance and reinsurance undertakings**

All of TME's Branches in Europe are within the EU.  A further branch is also located in the UK to service business written there.

**Consideration of assumptions or methods since the prior period**

As part of the Solvency II technical provision process, various actual versus expected (A v E) analyses are undertaken, including comparison of projected technical provisions with actual technical provisions and comparisons line by line (on a GAAP basis).

During the year, the A v E analysis did not lead us to make any adjustments to our assessment of the appropriateness, accuracy and completeness of the data nor to the methodologies applied. In addition, the A v E analysis is considered as part of the annual full re-projection process which occurs in the 2nd or 3rd quarter depending on the LOB. The A v E by LOB was considered and methods and assumptions updated as appropriate. However, the adjustments made (to the actuarial selected ultimates and the assumptions) were not beyond what would normally be expected to filter through during parameter reviews dependent on historical data.

**Description of the level of uncertainty associated with the value of technical provisions**

Any estimates of loss and ALAE liabilities are inherently uncertain. In our judgment, we have employed techniques and assumptions that are appropriate for the purposes of this analysis, and the conclusions presented herein are reasonable, given the information currently available. However, it should be recognised that the actual emergence of loss and ALAE amounts will likely deviate, perhaps materially, from our estimates.

TME's gross reserves are dominated by Financial Lines comprising a sizeable portfolio of International Directors & Officers business. These lines tend to be both volatile and long tailed. However, due to the existence of internal reinsurance arrangements within the wider International Group, the net reserves are nil. In addition, TME writes a small Employers' Liability book, which is exposed to potential latent disease claims.

Our Solvency II premium provision projections cover unexpired risks, and any period of future exposure is necessarily subject to a higher degree of uncertainty. This is especially the case for catastrophe-exposed classes of business, which are characterised by losses of an inherently uncertain low-frequency/high-severity nature.

Our selected point estimates are central estimates in the sense that they are not deliberately biased upwards or downwards. They do not necessarily represent a mid-point of the range of possible outcomes, as the potential for adverse movement generally exceeds the potential for favourable movement.

Sensitivity analysis around the technical provisions for TME is undertaken annually. The conclusions of the 2023 analysis were:

- The technical provisions (excluding future premium) are most sensitive to the earned reserve levels and the loss ratios assumed in the unearned provisions. For example, using 25th and 75th percentiles from the underlying reserve distribution, rather than best estimate would change the technical provisions in the region of 8-10%.
- The technical provisions (excluding future premium) are also sensitive to the discount rate used, to the extent that if discount rates returned to the levels seen before the Financial Crisis of 2007-2008, this would have an impact on the technical provisions in the region of 2%.
- The technical provisions (excluding future premium) are not so sensitive (less than 2%) to changes to the risk margin calculation.
- The technical provisions (excluding future premium) are sensitive to expense overruns increasing the technical provisions in the region of 10%. This is driven by the Financial Lines account, where expenses incurred would typically be offset by commissions, which under the scenario considered would not increase to offset the impact of the expense overruns.
- The technical provisions (excluding future premium) are sensitive to the future management actions of maintaining the reinsurance program, increasing the technical provisions by 2% if it weren't maintained. This is driven by the Financial Lines account which is fully ceded.

**Transitional provisions on technical provisions, matching adjustment and volatility adjustment**

TME does not have any transitional provisions on technical provisions, nor make any matching or volatility adjustments.

**The use of simplified approaches**

A simplified approach is used within the Risk Margin calculation. Further details are provided in the Risk Margin section.

**Assumptions about future management actions**

TME's Technical Provisions include one future management action relating to Reinsurance Structure, whereby it is assumed reinsurance that is in-force at the beginning of the year is maintained with regard to structure and cost.

This will impact the unearned and unincepted components of the Technical Provisions only; known claims will have attached to prior reinsurance, if applicable.

The secondary risk associated with this reinsurance - reinsurer credit risk - is also included in the Technical Provisions.

**Differences to LUX GAAP Technical Provisions**

Note, the starting GAAP provisions are inclusive of $2 million salvage and subrogation (2022: $1 million).

| Reconciliation of Net Technical Provisions: LUX GAAP to Solvency II<br>$'000 | 2023 | 2022 |
|---|---|---|
| **LUX GAAP technical provisions** | **278,785** | **229,940** |
| Removal of margin of prudence | (20,800) | (14,129) |
| Allowance for events not in data (binary events) | 4,445 | 4,772 |
| Change of expense basis | 29,959 | 31,871 |
| Adjustments to earned provisions | 815 | 1,119 |
| Removal of unearned LUX GAAP provisions | (102,824) | (90,276) |
| Future premium iro unearned incepted business | (66,897) | (71,342) |
| Projected losses arising from UPR | 45,446 | 40,120 |
| Future premium iro unincepted business | (34,301) | (35,120) |
| Projected losses arising from unincepted contracts | 27,436 | 29,412 |
| Discounting credit | (13,856) | (14,674) |
| Inclusion of risk margin | 19,622 | 18,456 |
| **Solvency II technical provisions** | **167,830** | **130,149** |

Except for the explicit margin of prudence, all items are a function of the Solvency II valuation requirements. All items are in line with expectation, both with regard to direction and quantum. The movement in the Solvency II technical provisions over the year is discussed earlier in the sub-section.

## *D3 Other Liabilities*

The Solvency II adjustments and valuation approach for each liability group in the above balance sheet order are detailed below with the exception of the technical provisions that are discussed in sub section D2.

### Deferred Tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax assets are not recognised under LUX GAAP, but are under Solvency II. Deferred tax balances are not discounted. The difference between LUX GAAP and Solvency II deferred tax liability represents the tax effect on the Solvency II adjustments, including the reinstatement of deferred tax asset, which is not recognised under LUX GAAP.

### Payables

The Solvency II valuation adjustments to insurance & intermediaries payables reflect not yet due balances that are reclassified to the technical provisions. The remaining balances are due or past due.

The insurance and intermediaries payables represent premiums, commissions and claims payable. The balances are all due within 12 months and are considered to be stated at fair value that is not considered to be different to their amortised cost and accordingly no further Solvency II adjustment is required.

The reinsurance payables represent reinsurance premiums and commissions payable past due. All balances are due within 12 months and, once adjusted for Solvency II as noted above, their fair value is not considered to be different to their amortised cost so no additional Solvency II adjustment is required.

### Other liabilities

The Solvency II adjustment is in respect of reinsurance acquisition costs, which represent commission and other related expenses that are deferred over the period in which the related premiums are earned under LUX GAAP. For Solvency II valuation purposes, DAC is valued at nil at the balance sheet date.

The remainder of the other liabilities includes obligations relating to Surety collateral, accrued premium taxes, settlements for investment purchases and staff costs and tax accruals. These balances are valued initially at fair value and subsequently at amortised cost under LUX GAAP. There are no material differences between LUX GAAP value and fair value under Solvency II.

### Other Provisions and Contingent Liabilities

TME does not have any other provisions and does not have any material contingent liabilities outside of the normal course of insurance.

### Employee benefits

TME operates a defined contribution pension scheme to which it contributes a percentage salary of an employee. There are no unpaid employer contributions.

## *D4 Alternative methods for valuation*

TME has not applied any alternative methods of valuation.

## *D5 Any other information*

There is no additional information that requires disclosure.

# Section E – Capital Management

TME is a single shareholder entity. It has no debt financing, nor does it have any material plans to issue new shares in the short or medium term.

TME's capital planning process is dynamic and forward-looking and is informed by the output from its risk management activities and the ORSA process. TME carries an S&P rating of A+.

As such, capital planning activities take into account current and anticipated changes in TME's risk profile, such as those reflected in its three year business plan, and forecasting the related impact on capital. In addition, as part of its capital planning, TME integrates projected capital needs with its business planning and financial forecasting processes.

TME has defined a specific capital risk appetite with thresholds and limits that trigger actions, including the source of capital and/or associated corrective actions, to ensure the maintenance of appropriate capital level at all times. These appetites have been developed in line with regulatory requirements under the Solvency II regime whilst also including an appropriate level of prudence over and above minimum levels. These are monitored through the RCCC on a regular basis.

Own Funds are comprised of items on the balance sheet, which are referred to as basic Own Funds consisting of paid-up ordinary share capital, retained earnings and a reconciliation reserve.

## *E1 Own Funds*

At valuation date the Own Funds held by TME were $293 million (2022: $225 million). Own Funds qualify as Tier 1 capital and are unrestricted. TME's common equity consisted of share capital totalling $1 million (2022: $1 million), share premium of $231 million (2022: $231 million).

The table below sets out the constituent parts of the reconciliation reserve:

| RECONCILIATION RESERVE<br>$'000 | 2023 | 2022 |
|---|---|---|
| Excess of assets over liabilities | 293,338 | 225,334 |
| less: | | |
| Own share capital | 1,159 | 1,159 |
| Share premium | 231,232 | 231,232 |
| Deferred tax asset | - | 6,623 |
| **Reconciliation reserve** | **60,947** | **(13,681)** |

The classification into tiers is relevant for the determination of Own Funds that are eligible for covering the SCR and the regulatory MCR. At least 80% of the MCR must be covered by Tier 1 capital and Tier 3 capital is not eligible to cover the MCR. For 2023 all of TME's capital is classified as unrestricted Tier 1.

The table below represents the ratio of eligible Own Funds that the Branch holds to cover the SCR and MCR:

| Eligible own funds to cover capital requirements<br>$'000 | 2023 | 2022 |
|---|---|---|
| Eligible Own Funds | 293,338 | 225,334 |
| SCR | 211,494 | 181,115 |
| MCR | 52,873 | 45,279 |
| Eligible Own Funds over SCR (Surplus) | 81,844 | 44,219 |
| Eligible Own Funds to meet MCR over MCR | 240,465 | 180,055 |
| Coverage Ratio (i.e. Own Funds / SCR) | 139% | 124% |
| Eligible Own Funds to meet MCR (as a percentage of MCR) | 555% | 483% |

The coverage ratio increased from 124% to 139% in the year driven by operating profit following growth in profitable business, particularly in Treaty Reinsurance, and unrealised gains driven by the market expectations of interest rate decreases in 2024. This is offset by an increase in SCR as a result of an increase in catastrophe risk, and to a lesser extent, premium risk, resulting from a small increase in budgeted Property premiums.

### Material differences between equity in the financial statements and the excess of assets over liabilities

Assets and liabilities are calculated differently between Solvency II and LUX GAAP resulting in reclassifications and differences in valuation including:

- DAC is not recognised under Solvency II.
- Intangibles are disallowed.
- Technical provisions are calculated on a discounted best estimate basis.
- Deferred tax changes due to valuation differences under Solvency II.
- Investment valuation differences between LUX GAAP and Solvency II.

The differences arising from the change in valuation are reported in the table below:

| EXCESS OF ASSETS OVER LIABILITIES - ATTRIBUTION OF VALUATION DIFFERENCES<br>$'000 | 2023 |
|---|---|
| **Total of reserves and retained earnings from financial statements** | **275,288** |
| Arising from Solvency II asset valuations | (432,193) |
| Arising from Solvency II Technical Provisions | 376,538 |
| Arising from Solvency II other liabilities | 73,765 |
| **Excess assets over liabilities** | **293,338** |

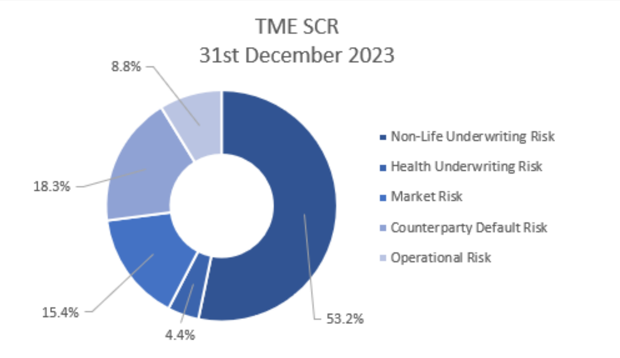
## *E2 Solvency Capital Requirements and Minimum Capital Requirements*

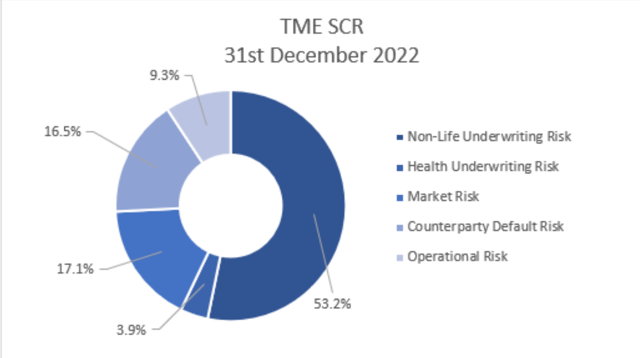
At 31 December 2023, the SCR of TME is $211 million (2022: $181 million). The SCR is calculated using the Standard Formula. TME does not apply any simplifications or undertaking specific parameters in the calculation.

TME has assessed and confirmed the appropriateness of the SCR as calculated using the Standard Formula.

The SCR's key Risk Modules for TME are set out in the diagram below before diversification credit:

| Capital Requirement for each Risk Module<br>Net SCR | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Non-life underwriting risk | 145,619 | 121,005 |
| Health underwriting risk | 11,988 | 8,860 |
| Market risk | 42,010 | 38,843 |
| Counterparty default risk | 49,981 | 37,613 |
| Diversification credit | (55,820) | (46,275) |
| Operational risk | 23,965 | 21,069 |
| Pre-deferred tax SCR | 217,743 | 181,115 |
| Loss absorbing capacity of deferred tax | (6,249) | - |
| **Final SCR** | **211,494** | **181,115** |




The 2023 breakdown of the SCR into its underlying risk categories remains broadly similar to 2022. The growth in the SCR in 2023 predominately reflects an increase in underwriting risk driven by an increase in catastrophe risk, and to a lesser extent, premium risk, resulting from a small increase in budgeted Property premiums.

The diversification ratio between risk modules of the Basic SCR at 31 December 2023 is 22% (2022: 22%). This represents the diversification between risk components and is driven by the relative size of each risk module and the correlations between them.

The increase in the TME's MCR to $53 million from $45 million is driven by the increase in the SCR, as a floor of 25% of the SCR is applied. These figures are represented by the tables below:

| **Overall Minimum Consolidated SCR $'000** | **2023** | **2022** |
|---|---|---|
| Linear MCR | 52,356 | 44,790 |
| SCR | 211,494 | 181,115 |
| MCR cap | 95,172 | 81,502 |
| MCR floor | 52,873 | 45,279 |
| Combined MCR | 52,873 | 45,279 |
| Absolute floor of the MCR | 4,415 | 4,271 |
| **MCR** | **52,873** | **45,279** |

| Calculation of MCR (inputs) $'000 31 Dec 2023 | Net (of reinsurance / SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|---|---|---|
| Medical expense insurance and proportional reinsurance | 34 | 115 |
| Income protection insurance and proportional reinsurance | 14,500 | 15,164 |
| Workers' compensation insurance and proportional reinsurance | 5,199 | 3,237 |
| Motor vehicle liability insurance and proportional reinsurance | - | - |
| Other motor insurance and proportional reinsurance | - | - |
| Marine, aviation and transport insurance and proportional reinsurance | 29,857 | 84,430 |
| Fire and other damage to property insurance and proportional reinsurance | 40,653 | 28,342 |
| General liability insurance and proportional reinsurance | - | 15,966 |
| Credit and suretyship insurance and proportional reinsurance | 63,328 | 73,192 |
| Legal expenses insurance and proportional reinsurance | - | - |
| Assistance and proportional reinsurance | - | - |
| Miscellaneous financial loss insurance and proportional reinsurance | - | 4,908 |
| Non-proportional health reinsurance | 909 | 1,384 |
| Non-proportional casualty reinsurance | 12,271 | 972 |
| Non-proportional marine, aviation and transport reinsurance | 2,284 | - |
| Non-proportional property reinsurance | - | 13,199 |

There have been no periods of non-compliance or material changes with the SCR or the MCR during the year. The SCR has no undertaking specific parameters or simplifications used in the SCR calculations.

## *E3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement*

The duration-based equity risk sub-module is not used in the calculation of the SCR for Company.

## *E4 Differences between the standard formula and any internal model used*

Not applicable.

## *E5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement*

There were no instances of non-compliance with the MCR or SCR for TME during the period from 1 January 2023 to 31 December 2023.

## *E6 Any other information*

### Share Capital

Capital and reserves amount to $275 million (2022: $224 million), an increase of $51 million from the profit after tax (2022: loss of $5 million). TME received no capital contribution from its parent during the year (2022: $20 million). TME's issued share capital as at the date of this Directors' Report is comprised of a single class of 1,159,060 Ordinary Shares of $1 each (2022: single class of 1,159,060 Ordinary Shares of $1 each).

## Dividends

TME paid dividends during the year totalling $Nil (2022: $Nil).

## Undertaking-Specific Parameters and matching adjustments

TME does not have any Undertaking-Specific parameters and the Group does not require matching adjustments, as they are not required for a Non-Life Company.

## Other material information for capital management

TME does not consider any other material information for managing capital.

## Simplified calculation in the standard formula

No material simplifications are used in calculating the Standard Formula.

## Section F – ANNEX: Quantitative Reporting Templates

This Annex lists the annual QRTs submitted to the CAA on behalf of TME in respect of the year ended 31 December 2023.

The following QRTs are presented in this annex:

| Form | Description | TME (Solo) |
|---|---|---|
| S.02.01.02 | Balance Sheet | ✓ |
| S.05.01.02 | Premiums, claims and expenses by LOB | ✓ |
| S.04.05.21 | Premiums, claims and expenses by country | ✓ |
| S.17.01.02 | Non-Life Technical Provisions | ✓ |
| S.19.01.21 | Non-life insurance claims | ✓ |
| S.23.01.01 | Own funds | ✓ |
| S.25.01.21 | SCR for undertakings on Standard Formula | ✓ |
| S.28.01.01 | MCR – Only life or non-life insurance or reinsurance activity | ✓ |

# Solo Quarterly Reporting Templates

**S.02.01.02**
Balance Sheet
Amounts in $'000

| | | Solvency II value |
|---|---|---|
| | | C0010 |
| **Assets** | | |
| Intangible assets | R0030 | |
| Deferred tax assets | R0040 | |
| Pension benefit surplus | R0050 | |
| Property, plant & equipment held for own use | R0060 | 1,755 |
| **Investments (other than assets held for index-linked and unit-linked contracts)** | **R0070** | **507,284** |
| Property (other than for own use) | R0080 | - |
| **Holdings in related undertakings, including participations** | **R0090** | **-** |
| ***Equities*** | ***R0100*** | ***-*** |
| Equities - listed | R0110 | - |
| Equities - unlisted | R0120 | - |
| ***Bonds*** | ***R0130*** | ***466,210*** |
| Government Bonds | R0140 | 63,213 |
| Corporate Bonds | R0150 | 370,406 |
| Structured notes | R0160 | - |
| Collateralised securities | R0170 | 32,591 |
| Collective Investments Undertakings | R0180 | 4,214 |
| Derivatives | R0190 | - |
| Deposits other than cash equivalents | R0200 | 36,860 |
| Other investments | R0210 | - |
| Assets held for index-linked and unit-linked contracts | R0220 | - |
| **Loans and mortgages** | **R0230** | **-** |
| Loans on policies | R0240 | - |
| Loans and mortgages to individuals | R0250 | - |
| Other loans and mortgages | R0260 | - |
| **Reinsurance recoverables from:** | **R0270** | **650,646** |
| **Non-life and health similar to non-life** | **R0280** | **650,646** |
| Non-life excluding health | R0290 | 632,444 |
| Health similar to non-life | R0300 | 18,202 |
| **Life and health similar to life, excluding health and index-linked and unit-linked** | **R0310** | **-** |
| Health similar to life | R0320 | - |
| Life excluding health and index-linked and unit-linked | R0330 | - |
| Life index-linked and unit-linked | R0340 | - |
| Deposits to cedants | R0350 | - |
| Insurance and intermediaries receivables | R0360 | 75,767 |
| Reinsurance receivables | R0370 | 119,717 |
| Receivables (trade, not insurance) | R0380 | 40,542 |
| Own shares (held directly) | R0390 | - |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | R0400 | - |
| Cash and cash equivalents | R0410 | 25,035 |
| Any other assets, not elsewhere shown | R0420 | 473 |
| **Total assets** | **R0500** | **1,421,219** |

**S.02.01.02**
Balance Sheet
Amounts in $'000

**Liabilities**

| | | |
|---|---|---|
| **Technical provisions – non-life** | **R0510** | **818,476** |
| **Technical provisions – non-life (excluding health)** | **R0520** | **777,060** |
| Technical provisions calculated as a whole | R0530 | - |
| Best Estimate | R0540 | 760,010 |
| Risk margin | R0550 | 17,049 |
| **Technical provisions - health (similar to non-life)** | **R0560** | **41,416** |
| Technical provisions calculated as a whole | R0570 | - |
| Best Estimate | R0580 | 38,844 |
| Risk margin | R0590 | 2,572 |
| **Technical provisions - life (excluding index-linked and unit-linked)** | **R0600** | **-** |
| **Technical provisions - health (similar to life)** | **R0610** | **-** |
| Technical provisions calculated as a whole | R0620 | - |
| Best estimate | R0630 | - |
| Risk margin | R0640 | - |
| **Technical provisions – life (excluding health and index-linked and unit-linked)** | **R0650** | **-** |
| Technical provisions calculated as a whole | R0660 | - |
| Best Estimate | R0670 | - |
| Risk margin | R0680 | - |
| **Technical provisions – index-linked and unit-linked** | **R0690** | **-** |
| Technical provisions calculated as a whole | R0700 | - |
| Best Estimate | R0710 | - |
| Risk margin | R0720 | - |
| Contingent liabilities | R0740 | - |
| Provisions other than technical provisions | R0750 | - |
| Pension benefit obligations | R0760 | - |
| Deposits from reinsurers | R0770 | - |
| Deferred tax liabilities | R0780 | 7,913 |
| Derivatives | R0790 | - |
| **Debts owed to credit institutions** | **R0800** | **-** |
| **Financial liabilities other than debts owed to credit institutions** | **R0810** | **-** |
| **debts owed to non-credit institutions** | **ER0811** | **-** |
| debts owed to non-credit institutions resident domestically | ER0812 | - |
| debts owed to non-credit institutions resident in the euro area other than domestic | ER0813 | - |
| debts owed to non-credit institutions resident in rest of the world | ER0814 | - |
| other financial liabilities (debt securities issued) | ER0815 | - |
| Insurance & intermediaries payables | R0820 | 31,253 |
| Reinsurance payables | R0830 | 87,650 |
| Payables (trade, not insurance) | R0840 | 182,589 |
| **Subordinated liabilities** | **R0850** | **-** |
| Subordinated liabilities not in Basic Own Funds | R0860 | - |
| Subordinated liabilities in Basic Own Funds | R0870 | - |
| Any other liabilities, not elsewhere shown | R0880 | (0) |
| **Total liabilities** | **R0900** | **1,127,881** |

| | | |
|---|---|---|
| **Excess of assets over liabilities** | **R1000** | **293,338** |

**S.05.01.02**

Premiums Claims and Expenses by Line of Business

Non-life (direct business/accepted proportional reinsurance and accept non-proportional reinsurance)

Amounts in USD 000's

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 |
| **Premiums written** | | | | | | | | | | | | | |
| Gross - Direct Business | R0110 | 88 | 25,949 | 2,778 | - | - | 136,429 | 78,971 | 204,371 | 70,219 | - | - | 16,706 |
| Gross - Proportional reinsurance accepted | R0120 | - | 49 | - | - | - | 2,309 | 11,720 | 2,392 | - | - | - | 13 |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | | | | | | | | | |
| Reinsurers' share | R0140 | 1 | 13,369 | 170 | - | - | 67,031 | 68,879 | 193,375 | 12,686 | - | - | 12,549 |
| **Net** | **R0200** | **87** | **12,629** | **2,608** | **-** | **-** | **71,707** | **21,811** | **13,387** | **57,533** | **-** | **-** | **4,170** |
| **Premiums earned** | | | | | | | | | | | | | |
| Gross - Direct Business | R0210 | 88 | 26,531 | 3,100 | - | - | 132,450 | 86,158 | 203,648 | 61,193 | - | - | 15,985 |
| Gross - Proportional reinsurance accepted | R0220 | - | 80 | - | - | - | 1,986 | 10,594 | 2,252 | - | - | - | 13 |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | | | | | | | | | |
| Reinsurers' share | R0240 | 1 | 12,958 | 198 | - | - | 66,537 | 71,749 | 194,368 | 11,136 | - | - | 11,658 |
| **Net** | **R0300** | **87** | **13,653** | **2,901** | **-** | **-** | **67,899** | **25,004** | **11,532** | **50,058** | **-** | **-** | **4,339** |
| **Claims incurred** | | | | | | | | | | | | | |
| Gross - Direct Business | R0310 | 50 | 5,770 | 1,443 | - | - | 67,877 | 27,106 | 136,369 | 23,173 | - | - | 4,111 |
| Gross - Proportional reinsurance accepted | R0320 | - | (5) | - | - | - | (79) | 4,001 | (2,872) | - | - | - | 1 |
| Gross - Non-proportional reinsurance accepted | R0330 | | | | | | | | | | | | |
| Reinsurers' share | R0340 | - | (406) | 277 | - | - | 38,074 | 21,924 | 124,101 | 9,628 | - | - | 3,364 |
| **Net** | **R0400** | **50** | **6,170** | **1,166** | **-** | **-** | **29,723** | **9,184** | **9,397** | **13,545** | **-** | **-** | **749** |
| **Changes in other technical provisions** | | | | | | | | | | | | | |
| Gross - Direct Business | R0410 | | | | | | | | | | | | |
| Gross - Proportional reinsurance accepted | R0420 | | | | | | | | | | | | |
| Gross - Non-proportional reinsurance accepted | R0430 | | | | | | | | | | | | |
| Reinsurers' share | R0440 | | | | | | | | | | | | |
| **Net** | **R0500** | | | | | | | | | | | | |
| **Balance - other technical expenses/income** | R1210 | | | | | | | | | | | | |
| **Total technical expenses** | **R1300** | | | | | | | | | | | | |

**S.05.01.02**

Premiums Claims and Expenses by Line of Business

Non-life (direct business/accepted proportional reinsurance and accept non-proportional reinsurance)

Amounts in USD 000's

| | | Line of Business for: accepted non-proportional reinsurance | | | | Total |
|---|---|---|---|---|---|---|
| | | Health | Casualty | Marine, aviation, transport | Property | |
| | | C0130 | C0140 | C0150 | C0160 | C0200 |
| **Premiums written** | | | | | | |
| Gross - Direct Business | R0110 | | | | | 535,510 |
| Gross - Proportional reinsurance accepted | R0120 | | | | | 16,483 |
| Gross - Non-proportional reinsurance accepted | R0130 | 1,453 | 20,754 | 7,840 | 60,854 | 90,902 |
| Reinsurers' share | R0140 | 153 | 21,429 | 2,850 | 19,830 | 412,322 |
| **Net** | **R0200** | **1,301** | **(675)** | **4,990** | **41,025** | **230,573** |
| **Premiums earned** | | | | | | |
| Gross - Direct Business | R0210 | | | | | 529,153 |
| Gross - Proportional reinsurance accepted | R0220 | | | | | 14,926 |
| Gross - Non-proportional reinsurance accepted | R0230 | 1,562 | 21,002 | 7,971 | 57,773 | 88,308 |
| Reinsurers' share | R0240 | 218 | 21,335 | 2,888 | 19,225 | 412,272 |
| **Net** | **R0300** | **1,343** | **(334)** | **5,084** | **38,548** | **220,115** |
| **Claims incurred** | | | | | | |
| Gross - Direct Business | R0310 | | | | | 265,900 |
| Gross - Proportional reinsurance accepted | R0320 | | | | | 1,046 |
| Gross - Non-proportional reinsurance accepted | R0330 | 459 | 7,069 | 4,078 | 9,745 | 21,350 |
| Reinsurers' share | R0340 | (129) | 7,582 | (672) | 9,148 | 212,891 |
| **Net** | **R0400** | **588** | **(513)** | **4,750** | **596** | **75,406** |
| **Changes in other technical provisions** | | | | | | |
| Gross - Direct Business | R0410 | | | | | - |
| Gross - Proportional reinsurance accepted | R0420 | | | | | - |
| Gross - Non-proportional reinsurance accepted | R0430 | | | | | - |
| Reinsurers' share | R0440 | | | | | - |
| **Net** | **R0500** | | | | | - |
| **Balance - other technical expenses/income** | R1210 | | | | | |
| **Total technical expenses** | **R1300** | | | | | **77,956** |

**S.04.05.21**

Premiums Claims and Expenses by country

Amounts in USD 000's

| | | Home Country | Top 5 countries (by amount of gross premiums written) - non-life obligations | | | | | Total Top 5 and home country | Worldwide excluding home and top 5 | Overall Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | | C0070 |
| | | Luxembourg | Spain | Germany | France | Italy | Belgium | | | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | | C0140 |
| **Premium written** | | | | | | | | | | |
| Gross - Direct Business | R0020 | 1,858 | 179,877 | 89,468 | 89,100 | 37,825 | 29,424 | **427,550** | 107,960 | **535,510** |
| Gross - Proportional reinsurance accepted | R0021 | 685 | - | 1,222 | 49 | 3 | - | **1,959** | 14,524 | **16,483** |
| Gross - Non-proportional reinsurance accepted | R0022 | 2,340 | 2,803 | 14,757 | 9,304 | 7,397 | 4,666 | **41,266** | 49,635 | **90,902** |
| Reinsurers' share | R0140 | 78 | 163,158 | 73,841 | 32,577 | 24,455 | 26,682 | **320,791** | 91,531 | **412,322** |
| **Net** | **R0200** | **4,805** | **19,521** | **31,606** | **65,876** | **20,770** | **7,407** | **149,985** | **80,588** | **230,573** |
| **Premium earned** | | | | | | | | | | |
| Gross - Direct Business | R0030 | 2,009 | 181,963 | 87,459 | 88,287 | 32,477 | 28,599 | **420,794** | 108,359 | **529,153** |
| Gross - Proportional reinsurance accepted | R0031 | 661 | - | 1,762 | 80 | 1 | - | **2,505** | 12,421 | **14,926** |
| Gross - Non-proportional reinsurance accepted | R0032 | 2,497 | 2,706 | 14,654 | 7,908 | 7,169 | 4,765 | **39,700** | 48,608 | **88,308** |
| Reinsurers' share | R0240 | 100 | 164,661 | 74,302 | 32,086 | 21,656 | 26,776 | **319,580** | 92,692 | **412,272** |
| **Net** | **R0300** | **5,067** | **20,009** | **29,573** | **64,190** | **17,991** | **6,589** | **143,418** | **76,696** | **220,115** |
| **Claims incurred** | | | | | | | | | | |
| Gross - Direct Business | R0040 | 641 | 91,951 | 40,805 | 73,119 | 11,831 | 13,020 | **231,366** | 34,534 | **265,900** |
| Gross - Proportional reinsurance accepted | R0041 | 79 | - | 761 | - | 2 | - | **842** | 204 | **1,046** |
| Gross - Non-proportional reinsurance accepted | R0042 | 2,668 | 407 | 7,579 | 719 | 2,927 | 524 | **14,825** | 6,525 | **21,350** |
| Reinsurers' share | R0340 | 909 | 69,098 | 40,005 | 37,034 | 11,269 | 13,246 | **171,561** | 41,329 | **212,891** |
| **Net** | **R0400** | **2,479** | **23,260** | **9,140** | **36,804** | **3,490** | **299** | **75,472** | **(66)** | **75,406** |
| **Expenses incurred (gross)** | | | | | | | | | | |
| Gross Expenses Incurred (direct) | R0050 | 1,175 | 49,375 | 24,707 | 34,028 | 10,180 | 7,267 | **126,732** | 43,467 | **170,199** |
| Gross Expenses Incurred (proportional reinsurance) | R0051 | 292 | - | 1,041 | 47 | 0 | - | **1,380** | 5,627 | **7,007** |
| Gross Expenses Incurred (non-proportional reinsurance) | R0052 | 917 | 1,065 | 3,580 | 2,122 | 2,048 | 1,043 | **10,777** | 17,624 | **28,401** |
| Reinsurers' share | R0340 | 924 | 50,521 | 23,434 | 9,792 | 10,004 | 6,654 | **101,329** | 26,322 | **127,651** |
| **Net** | **R0400** | **1,460** | **(81)** | **5,894** | **26,406** | **2,224** | **1,656** | **37,559** | **40,397** | **77,956** |

**S.17.01.02**

Non-Life Technical Provisions

Amounts in $’000

| | | Direct business and accepted proportional reinsurance | | | | | | | | | | | | Total Non-Life obligations |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0180 |
| **Technical provisions calculated as a whole** | **R0010** | | | | | | | | | | | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | R0050 | | | | | | | | | | | | | |
| **Technical Provisions calculated as a sum of BE and RM** | | | | | | | | | | | | | | |
| **Best estimate** | | | | | | | | | | | | | | |
| **Premium provisions** | | | | | | | | | | | | | | |
| Gross | R0060 | 14 | (2,415) | 548 | | | 3,758 | (6,328) | (19,680) | 18,914 | – | – | (1,172) | (14,770) |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | (0) | (661) | 11 | | | 8,464 | (13,873) | (1,812) | (6,095) | - | - | 2,089 | (13,422) |
| **Net Best Estimate of Premium Provisions** | **R0150** | 15 | (1,754) | 537 | | | (4,707) | 7,545 | (17,869) | 25,009 | – | – | (3,261) | (1,348) |
| **Claims provisions** | | | | | | | | | | | | | | |
| Gross | R0160 | – | 35,399 | 4,343 | | | 77,687 | 83,939 | 406,604 | 69,013 | – | – | 26,465 | 813,625 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | (19) | 19,145 | (319) | | | 43,124 | 50,830 | 392,115 | 30,694 | - | - | 24,108 | 664,069 |
| **Net Best Estimate of Claims Provisions** | R0250 | 19 | 16,254 | 4,662 | | | 34,563 | 33,109 | 14,488 | 38,319 | – | – | 2,357 | 149,556 |
| **Total Best estimate - gross** | R0260 | 14 | 32,984 | 4,891 | | | 81,445 | 77,611 | 386,923 | 87,928 | – | – | 25,293 | 798,854 |
| **Total Best estimate - net** | **R0270** | 34 | 14,500 | 5,199 | | | 29,857 | 40,653 | (3,381) | 63,328 | – | – | (904) | 148,208 |
| **Risk margin** | **R0280** | 2 | 2,012 | 477 | | | 3,509 | 2,716 | 2,762 | 5,230 | - | 0 | 429 | 19,622 |
| **Amount of the transitional on Technical Provisions** | | | | | | | | | | | | | | |
| Technical Provisions calculated as a whole | R0290 | | | | | | | | | | | | | |
| Best estimate | R0300 | | | | | | | | | | | | | |
| Risk margin | R0310 | | | | | | | | | | | | | |
| **Technical Provisions** | | | | | | | | | | | | | | |
| Technical provisions - total | R0320 | 16 | 34,997 | 5,368 | | | 84,954 | 80,326 | 389,685 | 93,158 | – | 0 | 25,722 | 818,476 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | (20) | 18,484 | (308) | | | 51,588 | 36,958 | 390,304 | 24,600 | – | – | 26,198 | 650,646 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total | R0340 | 36 | 16,513 | 5,676 | | | 33,366 | 43,369 | (619) | 68,558 | – | 0 | (475) | 167,830 |

**S.17.01.02**
Non-Life Technical Provisions
Amounts in $’000

| | | Accepted non-proportional reinsurance: | | | | Total Non-Life obligations |
|---|---|---|---|---|---|---|
| | | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | Non-proportional property reinsurance | |
| | | C0140 | C0150 | C0160 | C0170 | C0180 |
| **Technical provisions calculated as a whole** | **R0010** | | | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | R0050 | | | | | |
| **Technical Provisions calculated as a sum of BE and RM** | | | | | | |
| **Best estimate** | | | | | | |
| **Premium provisions** | | | | | | |
| Gross | R0060 | (86) | 9,761 | (2,479) | (15,606) | (14,770) |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | (25) | (2,327) | (3,274) | 4,079 | (13,422) |
| **Net Best Estimate of Premium Provisions** | **R0150** | (61) | 12,088 | 795 | (19,685) | (1,348) |
| **Claims provisions** | | | | | | |
| Gross | R0160 | 1,040 | 40,983 | 14,836 | 53,316 | 813,625 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | 71 | 40,799 | 13,347 | 50,172 | 664,069 |
| **Net Best Estimate of Claims Provisions** | R0250 | 970 | 183 | 1,489 | 3,143 | 149,556 |
| **Total Best estimate - gross** | R0260 | 955 | 50,744 | 12,357 | 37,710 | 798,854 |
| **Total Best estimate - net** | **R0270** | 909 | 12,271 | 2,284 | (16,542) | 148,208 |
| **Risk margin** | **R0280** | 81 | 238 | 633 | 1,534 | 19,622 |
| **Amount of the transitional on Technical Provisions** | | | | | | |
| Technical Provisions calculated as a whole | R0290 | | | | | |
| Best estimate | R0300 | | | | | |
| Risk margin | R0310 | | | | | |
| **Technical Provisions** | | | | | | |
| Technical provisions - total | R0320 | 1,036 | 50,981 | 12,990 | 39,243 | 818,476 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | 46 | 38,473 | 10,073 | 54,251 | 650,646 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total | R0340 | 990 | 12,509 | 2,916 | (15,008) | 167,830 |

**S.19.01.21**
Non-Life Insurance Claims
Amounts in $'000

**S.19.01.21.01**
Gross Claims Paid (non-cumulative) – Development Year (Absolute Amount)

| | | Development year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + |
| Gross Claims Paid (non-cumulative) | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 |
| Prior | R0100 | | | | | | | | | | | |
| -9 | R0160 | - | - | - | - | - | 6,355 | 4,580 | 18,534 | 3,066 | 29,160 | |
| -8 | R0170 | - | - | - | - | 2,222 | 121 | 19,046 | (955) | (188) | | |
| -7 | R0180 | - | - | - | 8,039 | 4,951 | 7,303 | 1,272 | 1,834 | | | |
| -6 | R0190 | - | - | 10,154 | 6,333 | 10,045 | 7,695 | 3,547 | | | | |
| -5 | R0200 | - | 52,239 | 12,618 | 11,658 | (508) | 12,209 | | | | | |
| -4 | R0210 | 29,685 | 59,023 | 37,431 | 23,344 | 7,988 | | | | | | |
| -3 | R0220 | 21,966 | 58,233 | 18,553 | 18,704 | | | | | | | |
| -2 | R0230 | 33,284 | 107,063 | 82,285 | | | | | | | | |
| -1 | R0240 | 24,316 | 48,014 | | | | | | | | | |
| 0 | R0250 | 18,862 | | | | | | | | | | |

**S.19.01.21.02**
Gross Claims Paid (non-cumulative) – Current year, Sum of years (Cumulative)

| | | In Current year | Sum of years (cumulative) |
|---|---|---|---|
| | | C0170 | C0180 |
| | R0100 | (1,556) | (1,556) |
| | R0160 | 29,160 | 61,695 |
| | R0170 | (188) | 20,247 |
| | R0180 | 1,834 | 23,400 |
| | R0190 | 3,547 | 37,773 |
| | R0200 | 12,209 | 88,216 |
| | R0210 | 7,988 | 157,470 |
| | R0220 | 18,704 | 117,456 |
| | R0230 | 82,285 | 222,631 |
| | R0240 | 48,014 | 72,330 |
| | R0250 | 18,862 | 18,862 |
| **Total** | R0260 | **228,029** | **843,363** |

**S.19.01.21.03**
Gross Undiscounted Best Estimate Claims Provision (non-cumulative) – Development Year (Absolute Amount)

| | | Development year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + |
| Gross undiscounted Best Estimate Claims Provisions | | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 |
| Prior | R0100 | | | | | | | | | | | |
| -9 | R0160 | - | - | - | - | - | 30,014 | 45,474 | 54,499 | 49,224 | 19,254 | |
| -8 | R0170 | - | - | - | - | 29,176 | 22,254 | 16,711 | 18,048 | 13,467 | | |
| -7 | R0180 | - | - | - | 31,627 | 27,559 | 22,763 | 36,819 | 28,982 | | | |
| -6 | R0190 | - | - | 47,675 | 48,389 | 42,855 | 41,872 | 35,373 | | | | |
| -5 | R0200 | - | 80,501 | 65,907 | 62,765 | 58,477 | 45,691 | | | | | |
| -4 | R0210 | 93,846 | 128,149 | 103,876 | 95,281 | 81,603 | | | | | | |
| -3 | R0220 | 100,660 | 118,026 | 113,879 | 92,042 | | | | | | | |
| -2 | R0230 | 187,765 | 241,796 | 179,439 | | | | | | | | |
| -1 | R0240 | 110,478 | 180,935 | | | | | | | | | |
| 0 | R0250 | 124,708 | | | | | | | | | | |

**S.19.01.21.04**

Gross Discounted Best Estimate Claims Provision - Current year, Sum of years (Cumulative)

| | | Year end (discounted data) |
|---|---|---|
| | | C0360 |
| | R0100 | 43,697 |
| | R0160 | 18,489 |
| | R0170 | 12,694 |
| | R0180 | 27,215 |
| | R0190 | 32,979 |
| | R0200 | 42,889 |
| | R0210 | 75,793 |
| | R0220 | 85,138 |
| | R0230 | 166,875 |
| | R0240 | 167,942 |
| | R0250 | 114,877 |
| **Total** | R0260 | **813,625** |

**S.23.01.01**
Own Funds
Amounts in $'000

**S.23.01.01.01**
Own Funds

| | | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35** | | | | | | |
| Ordinary share capital (gross of own shares) | R0010 | 1,159 | 1,159 | | | |
| Share premium account related to ordinary share capital | R0030 | 231,232 | 231,232 | | | |
| Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings | R0040 | | | | | |
| Subordinated mutual member accounts | R0050 | | | | | |
| Surplus funds | R0070 | | | | | |
| Preference shares | R0090 | | | | | |
| Share premium account related to preference shares | R0110 | | | | | |
| Reconciliation reserve | R0130 | 60,947 | 60,947 | | | |
| Subordinated liabilities | R0140 | | | | | |
| An amount equal to the value of net deferred tax assets | R0160 | | | | | |
| Other own fund items approved by the supervisory authority as basic own funds not specified above | R0180 | | | | | |
| **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | | | | | | |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | R0220 | | | | | |
| **Deductions** | | | | | | |
| Deductions for participations in financial and credit institutions | R0230 | | | | | |
| **Total basic own funds after deductions** | **R0290** | 293,338 | 293,338 | | | |

| | | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| **Ancillary own funds** | | | | | | |
| Unpaid and uncalled ordinary share capital callable on demand | R0300 | | | | | |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | R0310 | | | | | |
| Unpaid and uncalled preference shares callable on demand | R0320 | | | | | |
| A legally binding commitment to subscribe and pay for subordinated liabilities on demand | R0330 | | | | | |
| Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | R0340 | | | | | |
| Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | R0350 | | | | | |
| Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0360 | | | | | |
| Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0370 | | | | | |
| Other ancillary own funds | R0390 | | | | | |
| **Total ancillary own funds** | **R0400** | | | | | |

| | | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| **Available and eligible own funds** | | | | | | |
| **Total available own funds to meet the SCR** | **R0500** | 293,338 | 293,338 | | | |
| **Total available own funds to meet the MCR** | **R0510** | 293,338 | 293,338 | | | |
| **Total eligible own funds to meet the SCR** | **R0540** | 293,338 | 293,338 | | | |
| **Total eligible own funds to meet the MCR** | **R0550** | 293,338 | 293,338 | | | |
| **SCR** | **R0580** | 211,494 | | | | |
| **MCR** | **R0600** | 52,873 | | | | |
| **Ratio of Eligible own funds to SCR** | **R0620** | 139% | | | | |
| **Ratio of Eligible own funds to MCR** | **R0640** | 555% | | | | |

**S.23.01.01.02**

Reconciliation Reserves

| | | Value |
|---|---|---|
| | | C0060 |
| **Reconciliation reserve** | | |
| Excess of assets over liabilities | R0700 | 293,338 |
| Own shares (held directly and indirectly) | R0710 | |
| Foreseeable dividends, distributions and charges | R0720 | |
| Other basic own fund items | R0730 | 232,391 |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds | R0740 | |
| Reconciliation reserve | R0760 | 60,947 |
| **Expected profits** | | |
| Expected profits included in future premiums (EPIFP) - Life Business | R0770 | |
| Expected profits included in future premiums (EPIFP) - Non- life business | R0780 | 85,554 |
| **Total Expected profits included in future premiums (EPIFP)** | **R0790** | **85,554** |

**S.25.01.21**

Solvency Capital Requirement – for undertakings on Standard Formula

Amounts in $'000

| | | Net solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | C0030 | C0080 | C0090 |
| Market risk | R0010 | 42,010 | | |
| Counterparty default risk | R0020 | 49,981 | | |
| Life underwriting risk | R0030 | | | |
| Health underwriting risk | R0040 | 11,988 | | |
| Non-life underwriting risk | R0050 | 145,619 | | |
| Diversification | R0060 | -55,820 | | |
| Intangible asset risk | R0070 | | | |
| **Basic Solvency Capital Requirement** | **R0100** | **193,778** | | |

**S.25.01.21.01**

Basic Solvency Capital Requirement

**Calculation of Solvency Capital Requirement**

| | | C0100 |
|---|---|---|
| Adjustment due to RFF/MAP nSCR aggregation | R0120 | |
| Total capital requirement for operational risk | R0130 | 23,966 |
| Loss-absorbing capacity of technical provisions | R0140 | |
| Loss-absorbing capacity of deferred taxes | R0150 | -6,249 |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | R0160 | |
| **Solvency Capital Requirement calculated on the basis of Art. 336 (a) of Delegated** | **R0200** | **211,494** |
| **Capital add-ons already set** | **R0210** | |
| of which, capital add-ons already set - Article 37 (1) Type a | R0211 | |
| of which, capital add-ons already set - Article 37 (1) Type b | R0212 | |
| of which, capital add-ons already set - Article 37 (1) Type c | R0213 | |
| of which, capital add-ons already set - Article 37 (1) Type d | R0214 | |
| **Solvency Capital Requirement** | **R0220** | **211,494** |
| **Solvency capital requirement** | | |
| **Other information on SCR** | | |
| Capital requirement for duration-based equity risk sub-module | R0400 | |
| Total amount of Notional Solvency Capital Requirements for remaining part | R0410 | |
| Total amount of Notional Solvency Capital Requirements for ring-fenced funds | R0420 | |
| Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | R0430 | |
| Diversification effects due to RFF nSCR aggregation for article 304 | R0440 | |
| Method used to calculate the adjustment due to RFF/MAP nSCR aggregation | R0450 | 4 - No adjustment |
| Net future discretionary benefits | R0460 | |

**Approach to tax rate**

| | | Yes/No |
|---|---|---|
| | | C0109 |
| Approach based on average tax rate | R0590 | |

**Calculation of loss absorbing capacity of deferred taxes**

| | | LAC DT |
|---|---|---|
| | | C0130 |
| LAC DT | R0640 | 6,249 |
| LAC DT justified by reversion of deferred tax liabilities | R0650 | |
| LAC DT justified by reference to probable future taxable economic profit | R0660 | |
| LAC DT justified by carry back, current year | R0670 | 6,249 |
| LAC DT justified by carry back, future years | R0680 | |
| Maximum LAC DT | R0690 | 6,249 |

**S.28.01.01**

Minimum Capital Requirement – Only life or non- life insurance or reinsurance activity

Amounts in $'000

| MCR calculation Non Life | | Non-life activities | |
|---|---|---|---|
| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
| | | C0020 | C0030 |
| Medical expense insurance and proportional reinsurance | R0020 | 34 | 115 |
| Income protection insurance and proportional reinsurance | R0030 | 14,500 | 15,164 |
| Workers' compensation insurance and proportional reinsurance | R0040 | 5,199 | 3,237 |
| Motor vehicle liability insurance and proportional reinsurance | R0050 | - | - |
| Other motor insurance and proportional reinsurance | R0060 | - | - |
| Marine, aviation and transport insurance and proportional reinsurance | R0070 | 29,857 | 84,430 |
| Fire and other damage to property insurance and proportional reinsurance | R0080 | 40,653 | 28,342 |
| General liability insurance and proportional reinsurance | R0090 | - | 15,966 |
| Credit and suretyship insurance and proportional reinsurance | R0100 | 63,328 | 73,192 |
| Legal expenses insurance and proportional reinsurance | R0110 | - | - |
| Assistance and proportional reinsurance | R0120 | - | - |
| Miscellaneous financial loss insurance and proportional reinsurance | R0130 | - | 4,908 |
| Non-proportional health reinsurance | R0140 | 909 | 1,384 |
| Non-proportional casualty reinsurance | R0150 | 12,271 | 972 |
| Non-proportional marine, aviation and transport reinsurance | R0160 | 2,284 | - |
| Non-proportional property reinsurance | R0170 | - | 13,199 |

**S.28.01.01.01**

Linear formula component for non-life insurance and reinsurance obligations

**Linear formula component for life insurance and reinsurance obligations**

| MCR calculation Life | | Life activities | |
|---|---|---|---|
| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
| | | C0050 | C0060 |
| Obligations with profit participation - guaranteed benefits | R0210 | | |
| Obligations with profit participation - future discretionary benefits | R0220 | | |
| Index-linked and unit-linked insurance obligations | R0230 | | |
| Other life (re)insurance and health (re)insurance obligations | R0240 | | |
| Total capital at risk for all life (re)insurance obligations | R0250 | | |

| | | Non-life activities | Life activities |
|---|---|---|---|
| | | C0010 | C0040 |
| **MCR**$_{NL}$ Result | R0010 | 52,356 | |
| **MCR**$_{L}$ Result | R0200 | | |

| Overall MCR calculation | | Value |
|---|---|---|
| | | C0070 |
| Linear MCR | R0300 | 52,356 |
| SCR | R0310 | 211,494 |
| MCR cap | R0320 | **95,172** |
| MCR floor | R0330 | **52,873** |
| Combined MCR | R0340 | **52,873** |
| Absolute floor of the MCR | R0350 | 4,415 |
| | | C0070 |
| **Minimum Capital Requirement** | **R0400** | **52,873** |