RSA Luxembourg S.A.

Solvency and Financial Condition Report (SFCR) 2023

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Appendix 1. Abbreviations and Terms used in this Report

Appendix 2. Quantitative Reporting Templates (QRTs)

Introduction

RSA Luxembourg S.A. (the Company or RSAL) is a société anonyme incorporated and domiciled in the Grand Duchy of Luxembourg and is a wholly owned subsidiary of Royal & Sun Alliance Insurance Limited (the Parent or RSAI). The ultimate parent company is Intact Financial Corporation (IFC), the largest provider of non-life insurance in Canada, listed on the Toronto stock exchange.

The principal activity of the Company is the transaction of non-life insurance and related financial services for customers and risks from regulated branches across Europe. It has branches in Belgium, France, Germany, Spain, Netherlands and the United Kingdom. The branch in Germany is currently in run-off and has been closed to new business since 2019. The branch in the United Kingdom is unregulated and provides services such as operational and finance support.

This document sets out the solvency and financial condition of the Company as at 31 December 2023, as required by Solvency II (SII) regulations. These regulations prescribe the structure of this document and indicate the nature of the information that must be reported under a series of headings and sub-headings. Where information is not applicable to the Company, for completeness, the report still contains the heading, but with an appropriate note.

Reported balances for the Company represent the position of the Company as a legal entity. The Solvency II regulatory framework governs industry regulation and prudential capital requirements within the European Union (EU). The purpose of the Solvency and Financial Condition Report (SFCR) is to provide information required by the SII regulatory framework.

The Company has renewed the quota share reinsurance agreement with its Parent, under which a proportion of the insurance risk of the Company's business is transferred to RSAI. The Company receives a reinsurance commission in relation to the quota share agreement which covers changes in prior year results, as well as any new business underwritten in the Company and will be net of inuring reinsurance. During 2023, the reinsurance cession rate was changed from 83% to 80%. In order to support this change the Company received a capital injection of €10,000,000 from its Parent undertaking on 30 June 2023 via the issue of 1 new share with a value of €1 and a share premium value of €9,999,999.

This document makes reference to the Company's 2023 Annual Report and Accounts which can be accessed from the Company's head office in Luxembourg. Information in the Annual Report and Accounts is prepared according to statutory accounting rules, whereas information in this SFCR is governed by SII regulations. Important differences include valuation methodologies for assets, technical provisions and other liabilities, definitions of asset and liability categories, and definitions of underwriting lines of business. Therefore the figures, including financials, in this SFCR will not always correspond to the numbers in the Annual Report and Accounts.

As a general insurance business, the Company does not place any reliance on transitional measures for technical provisions as referred to in Articles 308c and 308d of Directive 2009/138/EC. Consequently, there will be no information regarding these measures in this report.

The only long-term guarantee measure that is applied is the volatility adjustment as referred to in Article 77d of Directive 2009/138/EC. Further information relating to this measure is shown in Section D.2.4 of this report.

Summary

The strategy for the Company is to ensure it delivers consistent and sustainable profitable growth at an attractive return on capital. The Company launched a new underwriting strategy in 2023, with a greater focus on delivering deep expertise in a narrower field of chosen sector specialisms. The business also continued its successful integration with IFC Global Specialty Lines as well as delivering operational improvements through process reengineering and automation.

Going forward, the Company will continue to focus on expanding its current product offering of Commercial Property, Liability, and specific Marine classes. The Company will also look to offer new insurance products through its Technology vertical as well as Cyber (the latter through the Company's relationship with Resilience Cyber Insurance Solutions, a Managing General Agent). The 5-year growth ambition remains to significantly grow net written premiums from current levels to protect the balance sheet and its exposure to large losses, while maintaining attractive margins. This would be underpinned by targeted opportunities, including potential new product opportunities as well as building on a culture of data-led decision making.

Business and performance

Underwriting result

The underwriting result of the Company shows a profit of €9.7m (2022: €9.7m).

Investment result

The investment result was €Nil (2022: €(12k)).

Operating result

The Company’s operating profit before tax was €10.8m (2022: €10.9m)

For further details of the Company’s business and performance, see Section A.

System of governance

The Company maintains a robust system of governance. Details about this and changes during the year are provided in Section B.

Risk profile

The Company operates under a common Group-wide risk management framework through which risk management and control is embedded in each business area. Business areas follow consistent processes to identify, measure, manage, monitor and report risks, in line with a consistent and comprehensive set of risk management policies.

See Section B.3.1 for further details of the risk management system.

The Company is exposed to the following main categories of risk:

- Insurance risk, including underwriting, claims and reserving risks
- Market risk
- Credit risk
- Liquidity risk
- Operational risk

The Company quantifies its exposure to different types of risk as part of its Solvency Capital Requirement (SCR) calculation, details of which can be seen in QRT S.25.01 in Appendix 2.

The Company has limited direct underwriting or investment exposure to the war between Ukraine and Russia or in the Middle East, and is vigilant in its adherence to sanctions as they may apply. The Company recognises there remains considerable macroeconomic uncertainty characterised by high levels of inflation and elevated interest rates in the largest global economies. The war in Ukraine continues and new hostilities in the Middle East have emerged which is putting pressure on global marine trade and supply chains. Potential impacts on Europe could include higher claims, repair costs and increased liabilities.

See Section C for further details regarding the Company's risk profile.

Valuation for solvency purposes

Section D sets out details regarding the basis of preparation and assumptions used in the valuation of assets, technical provisions and other liabilities for SII, as well as a description of the differences between these and Luxembourg Generally Accepted Accounting Principles (Lux GAAP).

At 31 December 2023, the Company's excess of assets over liabilities on an SII basis was €96,858k, and on a Lux GAAP basis this was €100,738k. The Solvency II coverage ratio was impacted by the inclusion of a super large property loss which has a net nil impact to closing reserves. This is 100% reinsured business with RSAL acting as a servicing office for the RSA Global Network. This is expected to unwind over 2024 as the claim is settled. The most significant movement between SII and Lux GAAP valuation is due to the difference in valuation of technical provisions.

There have been no material changes to the valuation methods used by the Company for SII during the year.

Capital Position

Solvency II position	Requirement (SCR) €'000	Eligible Own Funds €'000	Surplus €'000	Coverage %
31 December 2023	**90,357**	**131,858**	**41,501**	**146**
31 December 2022	74,175	116,335	42,160	157

A. Business and performance

In this section

A.1 Business

A.2 Underwriting performance

A.3 Investment performance

A.4 Performance of other activities

A.5 Any other information

This section of the report provides information about the business and performance of the Company, covering in particular the performance of underwriting and investment activities.

The quantitative analysis in Section A has been extracted from the Company's statutory financial statements which have been prepared in accordance with Lux GAAP. The annual accounts have been prepared in accordance with the modified Luxembourg Insurance Accounts Law of 8 December 1994 on the annual accounts of insurance and reinsurance companies, and with the accounting policies generally accepted and applied within the insurance and reinsurance industry in the Grand Duchy of Luxembourg.

There are some differences in presentation between the Solvency II income statement and the Lux GAAP financial statements; however, the aggregate result for the year ended 31 December 2023 is unchanged.

A.1 Business

A.1.1 Company name & legal form

The specific entity covered by this SFCR is RSA Luxembourg S.A. a société anonyme incorporated in the Grand Duchy of Luxembourg.

A.1.2 Supervisory authority

The Commissariat aux Assurances (CAA) is the authority responsible for regulatory supervision of the Company. The contact details of the CAA are as follows:

11, Rue Robert Stumper
L-2557 Luxembourg
GD de Luxembourg

Telephone: (+352) 22 69 11 1

A.1.3 Réviseur d'Entreprises agréé

The Réviseur d'Entreprises agréé of RSA Luxembourg S.A. is:

KPMG Audit S.à.r.l
39 Avenue John F. Kennedy
L-1855 Luxembourg

GD de Luxembourg
Telephone: (+352) 22 51 51 1

A.1.4 Holders of qualifying holdings

Royal & Sun Alliance Insurance Ltd holds 100% of the issued share capital of the Company.

	Number of ordinary	% Total voting	Nature of Holding
Royal & Sun Alliance Insurance Ltd	**50,007**	**100%**	**Ordinary shares**

A.1.5 Position within the Group legal structure

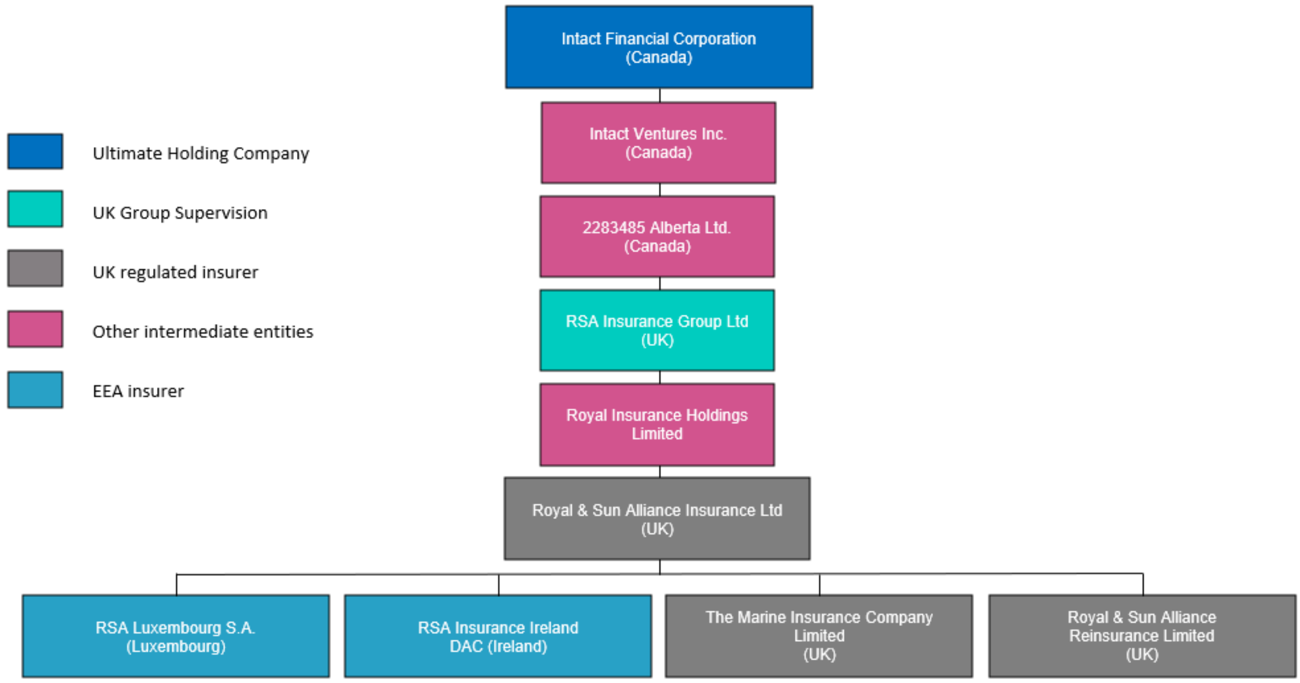
The Company's immediate parent undertaking is RSAI, a company incorporated in England and Wales, regulated by the Financial Conduct Authority (FCA) and subject to prudential supervision by the Prudential Regulation Authority (PRA). The Company's ultimate parent undertaking is IFC, a company incorporated in Canada and listed on the Toronto Stock Exchange (TSE:IFC).

A.1.6 Material related undertakings

See Appendix A of the RSAIG 2023 Consolidated financial statements for a list of all subsidiaries and associates of RSAIG.

See Appendix 1 of the RSAIG SFCR for a list of all branches, including those of RSAL. The Company has no further material related undertakings.

A.1.7 Simplified Group structure



A simplified diagram of how RSAL fits into the IFC structure is shown above.

A.1.8 Business lines and geographical areas

The Company primarily provides speciality Property & Casualty insurance for mid-market, large and multinational customers and risks from regulated branches across Europe. The Company's material geographical areas and material lines of business are detailed below.

Geographic regions
Belgium
France
Germany (Run-off)
Netherlands
Spain

Line of business: non-life
Fire and other damage to property
General liability
Marine, Aviation and Transport

A.1.9 Significant events

Quota share reinsurance arrangements

The Company renewed the quota share reinsurance agreement with its Parent, under which a proportion of the insurance risk of the Company's business is transferred to RSAI. The Company receives a reinsurance commission in relation to the quota share agreement, and the agreement covers changes in prior year results, as well as any new business underwritten in the Company, and will be net of inuring reinsurance. During 2023, the reinsurance cession rate was changed from 83% to 80%. In order to support this change, the Company received a capital injection of €10,000,000 from its Parent undertaking on 30 June 2023 via the issue of 1 new share with a value of €1 and a share premium value of €9,999,999.

Cross-border merger

Effective 2 January 2023, 00:01 CET, the Company completed a cross-border merger (the Merger) with its sister company Royal Insurance Global B.V. (RIG B.V.), following the publication on 15 November 2022 of the common draft terms of cross-border merger (projet commun de fusion transfrontalière) dated as of 10 November 2022 on the Recueil électronique des Sociétés et Associations (RESA), under reference RESA_2022_240.626.

The main drivers for, and legal and economic objectives of, the Merger were as follows:

(i) a general simplification of the complexity of the group structure; and

(ii) an improvement in operating efficiency with the reduction of costs and/or administrative burdens deriving from the existence of the absorbed company.

The Company acquired the entire share capital of RIG B.V., from RSAI (its sole shareholder), via a share purchase agreement on a formal notarial deed. Following the completion of the share transfer, the Company acquired all assets and liabilities of the absorbed Company by way of universal succession. In connection with the Merger, no allotment of shares by the Company took place.

Business strategy

The strategy for the Company is to ensure it delivers consistent and sustainable profitable growth at an attractive return on capital. The Company launched a new underwriting strategy in 2023, with a greater focus on delivering deep expertise in a narrower field of chosen sector specialisms. The business also continued its successful integration with IFC Global Specialty Lines as well as delivering operational improvements through process reengineering and automation.

Going forward, the Company will continue to focus on expanding its current product offering of Commercial Property, Liability, and specific Marine classes. The Company will also look to offer new insurance products through its Technology vertical as well as Cyber (the latter through the Company's relationship with Resilience Cyber Insurance Solutions, a Managing General Agent). The 5-year growth ambition remains to significantly grow net written premiums from current levels to protect the balance sheet and its exposure to large losses, while maintaining attractive margins. This would be underpinned by targeted opportunities, including potential new product opportunities as well as building on a culture of data-led decision making.

Economic environment

The Company recognises there remains considerable macroeconomic uncertainty characterised by high levels of inflation and elevated interest rates in the largest global economies. The war in Ukraine continues and new hostilities in the Middle East have emerged which is putting pressure on global marine trade and supply chains overall. Potential impacts on the Company could include higher claims and repair costs and increased liabilities.

A.2 Underwriting performance

This section contains an analysis of the underwriting profit for the Company for the year ended 31 December 2023.

A.2.1 Aggregate performance

RSA LUXEMBOURG
INCOME STATEMENT FOR SFCR PURPOSES

	2023	**2022**
	€'000	**€'000**
Gross written premiums	446,841	447,507
Net written premiums	64,326	40,712
Net earned premiums	61,876	41,280
Net incurred claims	(45,939)	(27,690)
Allocated investment return transferred from the non-technical account	1,406	(117)
Other technical income, net of reinsurance	1,520	1,089
Acquisition costs incurred	(65,304)	(59,545)
Reinsurance commissions and profit participation	82,771	75,161
Administration expenses	(26,656)	(20,513)
Underwriting Profit	**9,674**	**9,665**
Investment income	1,763	488
Investment expenses and charges	(357)	(617)
Allocated investment return transferred to the technical account	(1,406)	117
Investment result	**-**	**(12)**
Other Income	3,500	4,214
Other charges, including value adjustments	(2,373)	(2,927)
Operating result	**10,801**	**10,940**
Profit before tax	**10,801**	**10,940**
Tax	(2,527)	(2,344)
Profit after tax	**8,274**	**8,596**

The underwriting profit for the year ended 31 December 2023 amounted to €9,674k, with gross written premiums of €446,841k.

The quota share arrangement has a material impact on reported financial performance. The arrangement aligns with the Group's strategy to optimise capital allocation and usage across its territories and results in a transfer of risk from RSAL to its immediate parent entity, RSAI (the reinsurer). The transfer of risk to the reinsurer also materially reduces the Company's SCR – see Section E.

The effect of the quota share agreement is to cede a portion of premiums and claims to the reinsurer. The Company receives a commission set on an arm's length basis and is based on the Board approved Operational Plan.

The quota share contract in force during 2023 resulted in outward reinsurance premiums amounting to €189,800k on a Lux GAAP basis. At 31 December 2023, the Company held a balance of €316,876k in reinsurance recoverables in relation to this contract on a Solvency II basis and recognised a reinsurance recovery of €334,239k on a Lux GAAP basis.

A.2.2 Underwriting result by geographical area

An analysis of underwriting performance for the Company for the year ended 31 December 2023 by geographical area is detailed below:

	Belgium 2023 €'000	France 2023 €'000	Germany 2023 €'000	Netherlands 2023 €'000	Spain 2023 €'000	Luxembourg 2023 €'000	Total 2023 €'000
Gross written premium	67,540	113,670	(862)	92,807	173,686	-	446,841
Net earned premium	10,588	19,391	99	15,278	16,520	-	61,876
Net incurred claims	(6,719)	(11,454)	(255)	(12,422)	(15,089)	-	(45,939)
Underwriting expenses	(1,051)	(4,046)	(182)	(1,562)	(1,743)	(605)	(9,189)
Allocated investment return transferred from the non-technical account	192	409	(3)	288	520	-	1,406
Other technical income, net of reinsurance	162	387	9	228	734	-	1,520
Underwriting Profit/(Loss)	3,172	4,687	(332)	1,810	942	(605)	9,674

	Belgium 2022 €'000	France 2022 €'000	Germany 2022 €'000	Netherlands 2022 €'000	Spain 2022 €'000	Luxembourg 2022 €'000	Total 2022 €'000
Gross written premium	62,616	95,047	24	89,575	200,245	-	447,507
Net earned premium	7,557	11,899	(4)	9,977	11,851	-	41,280
Net incurred claims	(5,759)	(7,087)	16	(6,238)	(8,622)	-	(27,690)
Underwriting expenses	(2,858)	(3,122)	(168)	(1,175)	2,429	(3)	(4,897)
Allocated investment return transferred from the non-technical account	(16)	(25)	(0)	(23)	(53)	-	(117)
Other technical income, net of reinsurance	191	178	-	261	459	-	1,089
Underwriting Profit/(Loss)	(885)	1,843	(156)	2,802	6,064	(3)	9,665

A.2.3 Performance by material line of business

An analysis of underwriting performance for the Company for the year ended 31 December 2023 by material line of business is detailed below:

	Net written premium		**Underwriting result**	
	2023 €'000	**2022 €'000**	**2023 €'000**	**2022 €'000**
Fire and other damage to property	31,759	18,896	3,535	6,425
General liability	15,267	9,734	2,180	2,426
Marine, Aviation and Transport	17,300	12,082	3,959	814
Total	**64,326**	**40,712**	**9,674**	**9,665**

The Company continues to generate strong underwriting results across their portfolios. The results are underpinned by improvements in attritional loss ratios supported by strong pricing and better risk selection, as well as lower distribution costs as the business continues to drive operational efficiencies.

In 2023, Marine, Aviation and Transport outperformed our Plan expectations driven by better attritional loss ratio performance and benign large loss activity. Fire and other damage property, excluding our exited Construction & Engineering (C&E) business, performed well despite some heavy natural catastrophe experience across Europe during Q4. General Liability was more challenging with higher than expected large loss activity and adverse prior year development on accident year 2018 and earlier.

A.3 Investment performance

The information in this section of the report is taken from the Company's Annual Report.

A.3.1 Income and expenses by class

Investment Income

Income from investments during the year was €937k (2022: €483k), and gains on the realisation of derivative financial instruments and investments were €826k (2022: €5k). Valuation losses on investments were €(328)k (2022: €(488)k).

Investment Expenses

In 2023 the cash interest expense was €Nil (2022: €(145)k).

The Company incurred investment management expenses of €(24)k in 2023 (2022: €(24)k).

A.3.2 Gains and losses recognised in equity

Nothing to report.

A.3.3 Investments in securitisation

The Company has no exposure to securitised investments.

A.4 Performance of other activities

A.4.1 Other material income & expenses

Finance costs

The Company incurred no finance costs from either loans or any other form of debt.

Employee expenses

Staff costs for all employees comprise:

	2023	2022
	€'000	€'000
Wages and salaries	**18,354**	12,417
Social security costs	**4,974**	4,047
Of which those related to pension costs	***79***	*77*
Termination costs	**-**	30

39 full-time equivalent personnel working for the Netherlands branch are now legally employed by the Company following the merger of RIG B.V. and therefore reported above within the 2023 numbers.

A.4.2 Operating and finance leasing arrangements

The Company leases various outlets and offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Payments made under operating leases are charged on a straight-line basis over the term of the lease.

The operating lease payments recognised as an expense during the year are €1,890k (2022: €1,629k)

Finance leases

Under Lux GAAP, the Company has no material finance leases.

A.5 Any other information

Nothing to report.

B. Systems of governance

In this section

B.1 General Information on the system

B.2 Fit and proper requirements

B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA)

B.4 Internal control system

B.5 Internal audit function

B.6 Actuarial function

B.7 Outsourcing

B.8 Any other information

B. System of Governance

B.1 General information on the system of governance

B.1.1 Board structure

At the start of 2023, the Company was overseen by a Board of four directors (the Board of Directors or the Board), comprising four non-executive directors (of which two were independent). A new Dirigeant Agréé (DA) was appointed on 1 February 2023 and joined the Board, increasing the composition to five directors, i.e. one executive director and four non-executive directors.

The Company intends to maintain the size of the Board at five and ensures that the Board and its Committees are chaired by a non-executive director of the Company.

The Board is responsible, among others, for determining the business conducted within the Company, i.e. the strategy and objectives of the Company, and is accountable to stakeholders for the creation and delivery of strong sustainable performance and long-term shareholder value.

The Board meets at least four times per year. The Board is responsible for organising and directing the affairs of the Company in a manner that is most likely to promote success for the benefit of its stakeholders and customers consistent with the Articles of Association of the Company and corporate governance good practice.

The Board promotes high standards of corporate governance within the Company and has a solid governance framework in place. Specific duties of the Board are clearly set out in the "Matters Reserved to the Board" document, which can only be amended by the Board itself, and which is reviewed at least annually.

The Board sets annual objectives for the business in line with the current Company strategy and monitors the achievement of the Company's objectives through regular reports, which include updates from the DA, the Chief Financial Officer (CFO) and the Chief Underwriting Officer on all material business matters.

The directors are responsible for monitoring Company performance and need to regularly attend Board meetings to evidence this.

Directors have access to the services and advice of the Company Secretariat, Head of Legal, Internal Audit, Compliance, Actuarial and Risk functions and in addition may take independent professional advice at the expense of the Company in furtherance of their duties.

The Board operates in strict accordance with the RSA Conflicts of Interest guidance, which sets out the process and procedures to be followed in the event that a conflict has been identified. At the start of each Board meeting, the Chair formally requests that any potential or actual conflicts of interest be declared (which is recorded in the minutes) and any director impacted then participates as allowed for in the policy. If, during the meeting, any further potential or actual conflicts arise, it is the responsibility of the director to declare such potential or actual conflict.

The Company's Delegated Authority Framework (DAF) sets out how the Board's authority is cascaded from the immediate parent company to the DA, and further to the management team within the Company. Day-to-day management of the Company is controlled by the DA in Luxembourg, supported by the functional heads from areas such as Finance, Underwriting, Operations, Claims, Risk, Compliance and HR and Managing Directors (MD) of the branches.

Management committees are in place to support the management team, but these committees do not formally report to the Board or a Board Committee, albeit they may provide updates where appropriate. The Board have access to the minutes of these Committees if requested.

A summary of the Committee structure is shown below:

B.1.1.1 Board Committees

The Board focuses on strategy, performance, and approval of material transactions. It therefore delegates authority and oversight to its Committees in certain areas. The Board Committees are comprised of the Board, with management invited to attend when appropriate. Each of its Board Committees has written terms of reference defining their role and the authority delegated to them. The terms of reference for each Board Committee are periodically reviewed and approved, with any changes are made as appropriate.

The Board Risk Committee

The primary role of the Board Risk Committee (BRC) is to advise the Board on risk management issues, recommend the risk limits and risk appetite to the Board for approval, and oversee the risk management arrangements of the Company generally. The Committee ensures that the material risks facing the Company have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively.

The Audit Committee

The purpose of the Audit Committee includes:

- Assisting the Board in discharging its responsibilities.
- Co-ordinating and challenging the integrity of the Company’s financial statements and financial reporting process.
- Monitoring the effectiveness and objectivity of the internal and external auditors.

B.1.2 Independent key functions

The key functions and the implementation of their tasks are aligned to Solvency II Directive, European Insurance and Occupational Pensions Authority (EIOPA) guidelines and good governance practices.

The four key functions of Risk, Compliance, Actuarial and Internal Audit report to the Board, BRC and Audit Committee as appropriate, in addition to updating the DA and Management Committees regularly.

Those working in these key functions are subject to the provisions of the Fitness and Propriety policy (described in Section B.2) which requires them to have the necessary skills, knowledge, and experience to fulfil their position. This is assessed both on initial appointment and through regular performance appraisals.

B.1.3 Changes in system of governance

The following director resignation took place during the year:

- Ellen Rekker, 27 July 2023

The following director appointments took place during the year:

- Lynn O'Leary, 1 February 2023
- Karen Wauters, 1 August 2023

Matthew Cohen (RSAL CFO) temporarily held the role as the Company's DA (but not as a director of the Company), he held the position until Lynn O'Leary was appointed as a director and DA of the Company with effect from 1 February 2023.

B.1.4 Principles of remuneration policy

The Company ensures that it has appropriate remuneration arrangements through the adoption of a remuneration policy. The remuneration policy outlines the Company's approach to remuneration, and also the governance framework for making remuneration decisions.

The policy is designed to support the business strategy by appropriately rewarding performance and promoting sound and effective risk management, compliance with external regulatory requirements and alignment to the long-term interests of the Company and its shareholders.

The policy establishes over-arching principles and standards to guide local remuneration decision-making, which is aligned to local market norms and regulations. These principles are based around alignment to long-term Company success, pay-for-performance and risk alignment. A total reward approach is used to support talent attraction and retention, such that the reward framework includes both fixed remuneration elements (reflecting an employee's professional experience and responsibility, and can include elements such as base salary, benefits and pension), and variable remuneration elements (which can be awarded to eligible employees, reflecting performance).

The policy establishes specific remuneration provisions for jobholders whose professional activities have a material impact on the risk profile or have accountability for Key Functions. These provisions are intended to promote effective risk management and include:

- The balancing of fixed and variable remuneration to enable a fully flexible approach to incentives (including the possibility of paying no variable remuneration).

- The design of incentive plans to encourage performance within the Company's risk appetite, including the consideration of material risk factors in incentive award decisions, the operation of deferral and malus adjustment and the operation of clawback provisions for Executive Directors, and customised arrangements for those accountable for Key Functions to preserve the independence of their roles.

- Arrangements to avoid reward for failure in termination payments, and to exclude personal hedging strategy usage.

Governance measures aimed at avoiding conflicts of interest are incorporated.

The policy is reviewed regularly, to ensure that it complies with the principles of good risk management and reward governance, taking into account regulatory requirements and the nature of the business.

B.1.5 Variable remuneration performance criteria

Incentive plans encourage performance in line with the business strategy and within the Company's risk appetite. They also take into account material risk factors and the Company's ability to maintain an adequate capital base.

Incentive plan performance measures:

- Reflect the Company's priority to create shareholder value through sustained growth and profitability, based on its risk profiles. Measures can include for example, profit, underwriting performance, capital strength, strategic and shareholder value measures and personal objectives.
- Are quantified on an 'underlying' basis where appropriate, to provide an undistorted view of business performance and avoid the creation of adverse incentives.

For jobholders whose professional activities have a material impact on the Company's risk profile, a number of mechanisms are included to ensure remuneration does not encourage excessive risk taking:

- Total performance-related variable remuneration is based on a combination of the assessment of the performance of the individual, the business unit concerned and the overall result of the Company or Group.
- Targets take account of the Company's operating plan which is set with reference to the risk appetite with input from the Risk function.
- Incentive award funding is subject to risk adjustment for exposure to current and future risks, taking into account the Company risk profile and cost of capital. An adjustment can take place prior to the payment of Annual Bonus awards, and prior to the vesting of long-term incentive award cycles.
- Individual performance assessments take account of financial and non-financial criteria, and are based on consideration of what is delivered and also how goals are achieved.
- A portion of variable remuneration is subject to deferral to ensure it is aligned with longer-term risk management. The percentage that is deferred, the type of deferred award(s) and the length of the deferral period are determined by taking into account regulatory requirements, the level of the jobholder and the business context.

There are provisions to apply malus adjustments and clawback.

Variable remuneration arrangements for those accountable for Key Functions are designed to be independent from the performance of the operational units and areas submitted to their control.

B.1.6 Supplementary pensions

No supplementary pensions are operated for the members of the administrative, management or supervisory body and other Key Function Holders. The Company's defined benefit pension plans are closed to all new entrants, but some employees have historic benefits accumulated which are insured (other than indexation which takes place in accordance with current RSAL policies and the Scheme rules).

B.1.7 Shareholder / Board Transactions

The Company had the following significant transactions with RSAI, its sole Shareholder:

- Quota share Reinsurance arrangements
- Ancillary Own Funds Facility
- The provision by RSAI of services to the Company under outsourcing arrangements
- Acquisition of the entire share capital of RIG B.V. from RSAI
- The receipt a capital injection of €10,000,000 from RSAI on 30 June 2023 via the issue of 1 new share with a value of €1 and a share premium value of €9,999,999.

Key management transactions

Information regarding transactions that were carried out with the Board of Directors can be found in note 16 of the Company's 2023 Annual Reports and Accounts.

Dividends

The Company did not pay a dividend during the year and the directors have not recommended a payment of dividend in respect of the year ended 31 December 2023.

B.2 Fit and proper requirements

B.2.1 Specific fit & proper requirements

The Fitness and Propriety Policy together with supplementary documentation provide a framework for assessment of fitness and propriety for persons effectively running the undertaking or performing other key functions, such as:

- Members of the RSAL Board of Directors
- Dirigeant Agréé
- The four Key Function Holders under Solvency II
- RSAL Branch Managers

The Board is responsible for defining the criteria of competence and "good repute" applicable to its members and has a continuous obligation to assess that it has the appropriate balance of skills, experience, and knowledge to enable it, and its committees, to discharge their duties and responsibilities effectively. The Board considers the skills, experience, independence, and knowledge already represented when making decisions in case of new appointments. One of the key responsibilities of the Board is to keep under review skills available within the Board to effectively manage and oversee the undertaking, as well as succession planning to ensure that the balance remains appropriate.

The Board is able to discharge its oversight responsibilities relating to Key Functions, by ensuring those functions are exercised in an informed, objective and independent manner; that they are adequately resourced; and that the competence and integrity of Key Function Holders have been assessed prior to their notification to the CAA.

B.2.2 Assessment process

The Policy outlines the minimum requirements to ensure that all roles within its scope are fit and proper to perform their specific function(s) within the undertaking. The Policy is complemented by a Control Framework that includes the governance over roles and responsibilities to ensure compliance.

Responsibility for complying with local regulatory rules and requirements rests with the Board of Directors.

Fit requirements

The assessment of whether an individual is "fit" for their role must include an assessment of the person's professional qualifications, knowledge and relevant experience to enable sound and prudent management including an assessment of relevant experience in the insurance sector, other financial sectors, or other businesses. The fitness assessment shall also take into account the respective duties allocated to that person, and, where appropriate, the accounting, actuarial, audit, compliance and management skills and/or background of said person.

These requirements apply equally to internal promotions and moves.

The Board of Directors fitness requirements are considered on a collective basis, including knowledge and experience in the following areas:

- Insurance and financial markets
- Business strategy and business model knowledge
- System of governance
- Financial and actuarial analysis knowledge
- Regulatory framework and requirements

Proper requirements

The assessment of whether an individual is “proper” for their role must include an assessment of the person’s honesty and financial soundness, based on evidence regarding their character, personal behaviour and business conduct including any relevant criminal, financial and supervisory aspects. At the minimum, a review of the following aspects is recommended:

- Identification information
- Declaration of honour
- Recent criminal record extract (less than 3 months old)
- Laws on money laundering, market manipulation, or insider dealing
- Criminal offences under legislation relating to companies, bankruptcy, insolvency, or consumer protection

B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA)

B.3.1 Description of the Risk Management System (RMS)

The three lines of defence

RSAL operates a Three Lines of Defence model, whereby:

1st line

- **RSAL's First line of defence** is the business and operating functions. These functions are responsible for:
  - Their activities.
  - Ensuring their risks are identified and managed to within appetite.
  - The implementation and compliance with policies and standards.

  Line 1 management designs and operates appropriate governance, control, and validation processes, regardless of second and third line activities.

2nd line

- **RSAL's Second line of defence** comprises of Risk & Compliance functions UK&I/IFC Group Actuarial and IFC Group Financial Control.

  These functions provide independent advice, review, and challenge of the first line activities with a focus on key subject areas:
  - Risk identification, management and reporting
  - Adherence to risk appetite and policies
  - Compliance with conduct and prudential requirements
  - Addressing changes in regulation
  - Underwriting policy
  - Adequacy of reserves and reinsurance arrangements

  Second line advice, review and challenge are not a substitute for first line management of risks and controls, or third line activities.

3rd line

- **RSAL's Third line of defence** is Corporate Audit Services. This function is responsible for:
    - The evaluation of the effectiveness of the risk management, control, and governance processes
    - Assessing whether both first line control and second line activities are effective and appropriate.

  The third line assurance activities are cyclical and take a risk based approach to the selection of areas for review, and as such are not a substitute for first or second line activities.

The RMS is underpinned by the three lines of defence model and governed by the RSAL Risk Management and Internal Controls policy, which sets out the principles to support effective risk and control management practices.

Risk appetite and strategy

Risk appetite refers to the level of risk that the RSAL is willing to pursue, retain or take in achieving strategic objectives and business priorities. Risk appetite is expressed using qualitative statements and supporting Key Risk Indicators (KRIs) with operating targets and risk tolerances.

The Board is responsible for setting the business strategy, which is informed by risk appetite.

Risk appetite is a key element of the RMS. It informs how we can manage risks and supports strategic decision making by defining “tolerable” and “optimal” (i.e. target) risk positions in pursuit of our strategic objectives.

The risk appetite comprises Board and Business Risk Appetite Statements (RASs) and KRIs.

The risk appetite is set annually by the Board on the recommendation of the Risk Committee. It establishes the appetite for risk-by-risk category plus high level risk limits and tolerances, and drills down into more detailed risk statements. These are expressed through associated KRIs with associated risk limits and risk tolerances.

The Chief Risk Officer (CRO) works with the first line to prepare risk appetite for approval and also works with the first line to ensure it is embedded, complied with, and utilised in business decisions, especially when deciding which risks to take and which to mitigate.

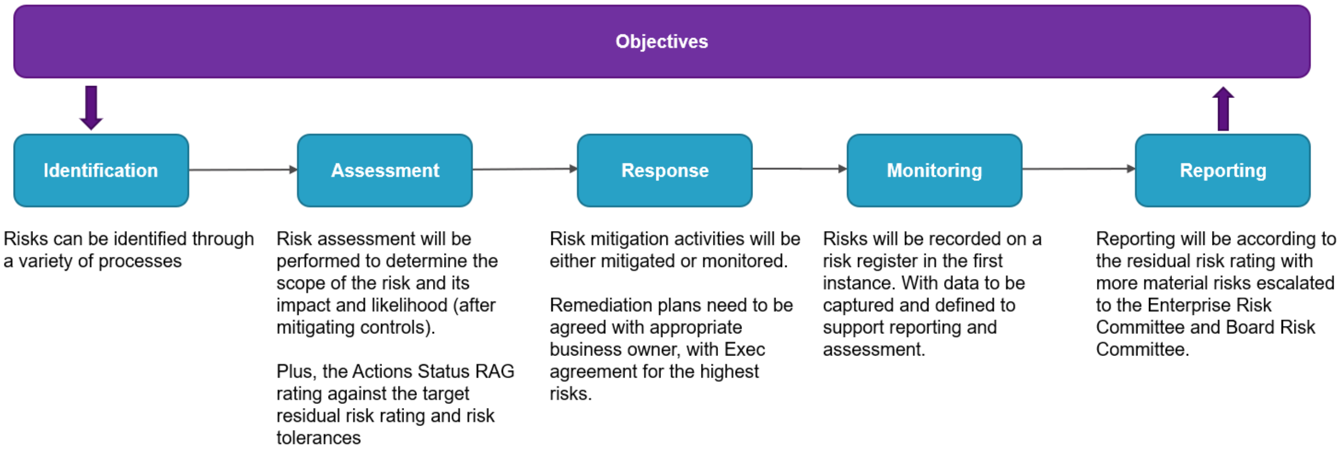
Reporting of risk appetite takes place on a quarterly cycle with reporting to the RSAL Enterprise Risk Committee (ERC) and the BRC.

The standard lifecycle stages for RASs and KRIs are:

- Design/Refresh
- Implement
- Embed and Monitor
- Review

Risk Management Process

The RSAL risk management cycle describes the processes, procedures and toolkits used to identify, assess, respond, monitor and report on risk impacting the Business. This cycle ensures that RSAL understands key risks to our business objectives, that these are managed appropriately, and any material residual risks are appropriately escalated and managed in line with risk appetite.



Risk identification (new and emerging risks)

Risk identification is the process of understanding and capturing any material threats or opportunities that could have a significant impact on the achievement of business objectives. Risk can be identified from various sources using a range of techniques. Sources may include internal and external insights, senior management functions, stress and scenario testing, risk incidents, risk appetite reporting, and controls testing. Every member of the organisation is trained to be continually evaluating the risks to their business area.

Risk assessment

Once risks have been identified, the Company captures relevant information in a risk register and assesses the inherent, residual and target risk exposures using an impact and likelihood matrix. The residual risk exposure (i.e. after considering effectiveness of controls and risk mitigations at a point in time) is used when reporting at functional and legal entity level, and when escalating at a regional level.

The impact and likelihood should be give across all scales – financial, regulatory, operational and customer impact.

Response, Monitoring, Reporting

All significant risks are assessed and monitored. For risks that are outside of target risk exposure, a risk response is required. The response may be to either **mitigate** (i.e. take action to reduce the potential likelihood and/or impact) or **monitor** (e.g. using metrics, etc.).

Risk mitigation may involve the enhancement of existing controls or the design and implementation of new controls.

Risk owners are usually nominated by an Executive owner and are described as an appropriately senior business person where the risk impact prevents the business objectives being achieved. The risk owner should ensure that the action owners deliver against remediation plans.

Actions owners should be responsible for actioning the risk remediation plans, including reporting on the status of the risks.

Once the residual risk has been determianted, the action plan is reviewed for risks that are outside of target. This is to assess whether it is complete and there is sufficient progress on the actions to achieve the target risk level in an acceptable timeframe.

Risk owners must agree the risk response and due date, and track action plans through to completion. Progress against plans is reported at least quarterly.

Risk reporting at the Company level is presented to the RSAL ERC and BRC.

B.3.2 Implementation and integration

Risk Management System – Overview

RSAL has established a consistent approach to the implementation of the System of Governance through the RMS, which includes:

- Risk Appetite
- Policy Management
- Risk Assessment, including Risk Registers

B.3.2.1 RSA Capital model governance & assurance

The Company uses the Standard Formula to determine its regulatory SCR.

B.3.3 Own risk and solvency assessment (ORSA)

B.3.3.1 ORSA process

The ORSA process is a continuous process that takes input throughout the year, to assess how the risks of the business change over time and the consequential impact on the solvency needs of the business. During the year, the Board and BRC consider a range of activities and a final report is presented by the CRO to the BRC and Board for review and approval. This summarises papers and associated decisions taken during the period and highlights key areas of action needed over the forthcoming year.

B.3.3.2 ORSA review and approval

Papers are presented to the Board and BRC throughout the year dealing with individual elements of the ORSA.

The ORSA report is presented for approval annually to management, the BRC and the Board each year.

B.3.3.3 Own Solvency needs

The level of risk exposure based on the projected risk profile is assessed by the Company as part of the ORSA process.

The level of capital required, including buffers to allow for adverse events, is compared against the amount of current and projected capital that the Company expects to hold based on the current or latest version of the Operational Plan. This takes into account strategy and risks and forms a key part of the ORSA process.

Actual and projected capital shortfalls are reported in line with the requirements of the Capital Appetite so that corrective action can be taken.

To ensure that the Company holds appropriate levels of capital in line with its overall risk profile the overall capital appetite is reviewed on an annual basis and proposed to the Board for approval. Any capital shortfalls will be reported in line with the requirements of the Capital Appetite so that corrective action can be taken.

B.4 Internal control system

B.4.1 Description of the internal control system

The Company has put in place an **Internal Control System (ICS)** which contains administrative and accounting procedures, an internal control framework, with appropriate testing, assurance and reporting arrangements at all levels of the Company, a delegated authority framework, and a Policy Management framework. The ICS is underpinned by the three lines of defence model.

The ICS comprises the following key elements:

- **Internal control framework** - whereby policies establish standard controls, which are implemented and operated by the business; supplemented by objective line 1 testing and independent line 2 assurance processes. The internal control framework includes financial controllership which is subject to assurance through the Financial Control Framework and its Independent Quality Assurance process.

- **Delegated Authority Framework** - whereby authority is cascaded down from the Board to the business.

- **Compliance Policy –** sets out the standard control processes to minimise and/or prevent the risk of material loss, reputational damage or liability arising from the failure to comply with regulatory requirements. Ultimate responsibility for compliance with the relevant rules and regulations rests with the Board, the Executive and senior management in each business. Advice, challenge, and interpretation is provided to these bodies by the Compliance function.

The Internal Control Framework

The internal control framework is designed to identify and mitigate, rather than eliminate, the potential risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material financial misstatement or loss.

RSAL policies and, where applicable, their underlying frameworks set out minimum requirements and standard control sets to ensure that the Company achieves its objectives including effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Policies set out expected control testing activities (1st line check) which ensure controls are designed and operating effectively. Control standards set out the full expectations for controls, and Control libraries record all controls. Line 1 will develop a risk led Control testing plan, reviewed and challenge by Line 2.

Adherence to the control sets, and the progress and findings of assurance and testing activity, are monitored by the RSAL ERC. Key issues identified in the committee meetings are escalated to the Board, Risk Committee or Audit Committee, as appropriate.

Delegated Authority Framework

The Delegated Authority Framework (DAF) specifies how and what executive authority is delegated from the Board to the DA, and onwards to senior management within the Company. The DA and senior executives across the Company receive an executive licence setting out their specific limits of authority in terms of entering financial, underwriting, claims and other business commitments. Each executive is responsible for ensuring a similar process of delegation is in place within his or her area of responsibility.

Effective management of Delegated Authority enables the business to:

- Ensure that decisions are being made effectively and efficiently throughout the organisation.
- Ensure that all employees execute their responsibilities within a clearly defined set of limits and subject to specified terms and conditions appropriate to their role, competence, experience, and technical capability.
- Ensure that the risks associated with managing and delegating authorities are mitigated through the use of appropriate preventative and detective controls and remain within risk appetite.
- Ensure compliance with relevant regulatory and statutory requirements.

The powers of the Board, and the extent to which these powers may be delegated or must be retained, are set out in detail in the Matters Reserved for the Board or Terms of Reference for the Board Committees.

B.4.2. Compliance function

The purpose of the Compliance function is to ensure that the Company meets relevant regulatory requirements and to support the delivery of good customer outcomes.

The Compliance function:

- Ensures there is a strong regulatory compliance culture and that mechanisms are in place to identify, report and resolve issues to avoid or minimise business impact and surprises.
- Manages and develops the relationship with the regulator, the CAA.
- Provides advice and assurance to the business on compliance with insurance related services legislation and the requirements of the regulator on both consumer and prudential matters.
- Supports the business in assessing, monitoring, and mitigating regulatory risk. Establishes, implements and maintains an annual Compliance plan which sets out the compliance work to be undertaken in the upcoming year.

The Company has Legal & Compliance Officer (LCO) roles in each of the branches who support the RSAL Head of Compliance and Head of Legal who oversee regulatory and legal risk at a branch level. The LCOs provide advice and guidance to the local management team and support the Head of Compliance with the delivery of the annual Compliance Monitoring Plan.

B.5 Internal audit function

B.5.1 Implementation

The Internal audit function is also known as Corporate Audit Services (CAS). The primary purpose of the UK & International CAS function is “to keep the company safe and improving”. Specifically, it helps the Board and Executive management to protect the assets, reputation and sustainability of the Company.

UK&I CAS does this by assessing whether all significant risks are identified and appropriately reported by management and the second line of defence to the Board and Executive management; assessing whether they are adequately controlled; and by challenging Executive management to improve the effectiveness of governance, risk management and internal controls.

UK&I CAS is an independent and objective function reporting to the Board. The RSAL Head of Audit has primary reporting lines to the Chairman of the RSAL Audit Committee and the Head of Audit, UK and International (UK&I), with a secondary line to the RSAL CEO. The Head of Audit UK&I reports to the UK&I Chief Auditor who reports directly to the Intact Chief Auditor. The Head of Audit, RSAL is notified to the CAA under the regulatory regime.

UK&I CAS’s scope of activities is unrestricted and its audit universe extends to all legal entities, joint-ventures and other business partnerships, outsourcing and reinsurance arrangements. Its scope includes first line control validation, second line control assurance and the system of governance as set out under Solvency II. While it is not the role of UK&I CAS to second guess any decisions made by the Board and its Committees, its scope does include information presented to the Board and its Committees.

On a semi-annual basis the RSAL Head of Audit will submit a six-monthly rolling risk-based audit plan (i.e. a detailed plan for the upcoming six months, together with an outlook for the subsequent six months), including emerging and systemic risks to the Luxembourg Audit Committee for review and approval. The six-monthly rolling audit plan is developed based on UK&I CAS’s independent risk assessment and prioritisation, considering inputs from the Executives, Senior Management and the Audit Committee.

UK&I CAS coverage of the audit universe should be based on the principles of a three-year rolling coverage in which it shall aim to cover all inherent high risks twice and all inherent medium risks once. Any high or medium risk areas not covered within the three-year time period shall be made transparent to the Audit Committee. Coverage shall be provided through Company specific audit reviews along with combined UK and Company audit reviews.

The Head of Audit will review and adjust the plan, as necessary, in response to changes in the business, risks, operations, programmes, systems, controls and requirements. Any material changes from the RSAL CAS plan will be communicated through quarterly reporting to the Audit Committee for approval. When necessary, UK&I CAS may conduct audit engagements which are not included in the audit plan; these may be carried out without notice.

The UK&I Chief Auditor will ensure that UK&I CAS has the appropriate budget and resources and that UK&I CAS collectively has the skills and capabilities to deliver its purpose and mandate effectively. This includes consideration of trends and emerging issues that could impact the Company. Where appropriate, independent internal or external co-sourced resources may be engaged to supplement the core team and deliver all or part of an audit engagement.

UK&I CAS operates an ongoing Quality Assurance programme that is outsourced to Deloitte. Annually, the Head of Audit reports a summary of the Quality Assurance results to the Audit Committee. The function is governed by an Internal Audit Charter which sets out the function’s role, mandate and authority, and includes independence and objectivity criteria.

B.5.2 Independence and objectivity

UK&I CAS must be independent from management at all times in order to be effective in delivering on its purpose and mandate. Internal auditors shall have no operational responsibility or authority over any business activities, day-to-day risk management or control activities.

Internal auditors are expected to remain independent and objective in all assignments and do nothing that might prejudice or be perceived as prejudicing independence and objectivity. Impairments to independence and objectivity may include, but are not limited to:

- Auditing business areas for which an individual previously worked, was seconded to, or was previously responsible for (auditors must refrain for a period of at least 12 months); and
- Auditing an area where an individual has a close relationship with one of its staff (e.g. partner, family member).

Independence and objectivity may also be impaired if an individual is approached about, or receives, an offer of employment from an area that they will be, or are, auditing. To prevent undue influence, the Head of Audit must be advised of any approach and has the option to defer the offer for up to six months following completion of the audit.

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed immediately to the Head of Audit and UK&I Chief Auditor, who will determine whether the Audit Committee will need to be informed.

Audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mind-set.

The Head of Audit reports, at least annually, to the Audit Committee on the independence of the Function and its staff. This is supported by a formal assessment of independence and objectivity for long serving staff, together with an independence self-certification.The Head of Audit will disclose any interference and its implications to the Board via the Audit Committee.

Where the tenure of the Head of Audit exceeds seven years, the Audit Committee will discuss the Chairman of the Audit Committee's assessment of the Head of Audit's independence and objectivity. Thereafter the Audit Committee will consider the Head of Audit's independence and objectivity annually.

B.6 Actuarial function

The Actuarial Function Holder undertakes the duties and responsibilities set out for an Actuarial Function Holder per the Governance Requirements under Solvency II.

The Actuarial Function Holder coordinates the calculation of technical provisions. It assures that the actuarial information to set technical provisions uses appropriate methods, models, and assumptions and it assesses the appropriateness, completeness, and accuracy of the underlying data. It also confirms that the Solvency II technical provisions comply in all material respects with all relevant Solvency II requirements and informs areas where experience is different and how this has influenced methods, models, and assumptions.

The Actuarial Function Holder provides an opinion on the underwriting policy and the adequacy of reinsurance arrangements. It also provides an opinion on the appropriateness of the stress tests and other assessments conducted during the ORSA and contributes to the effective implementation of the RMS. On an annual basis, the function holder produces an Actuarial Function Report describing the work performed during the year and the key conclusions. This report is presented to the Board of Directors.

The Actuarial Function holder has unrestricted access to all relevant information necessary for the exercise of their function and has independent access to the Audit Committee.

B.7 Outsourcing

B.7.1 Policy and key activities

RSAL's outsourcing arrangements are managed by the RSAL Procurement and Outsourcing policy (which also cover intra-group agreements). The policy has been reviewed against, and incorporates, the outsourcing policy requirements of the Solvency II Directive and the associated Delegated Acts.

Additionally, RSAL has a "Procurement Procedure" which has the objective to support the RSAL Procurement Policy with more details.

The content of this Procurement Procedures is:

- Key Performance Indicators
- Procurement Process Requirements
- Ongoing Supplier Management Requirements
- Additional requirements for Outsourcing relationships
- Procurement Process description

RSAL has a documented risk segmentation process (**Critical Services, Higher Risk Services, Lower Risk Services**), which sets out the relative level of risk for all in scope services. This model documents and incorporate an assessment of criticality, as defined by the Operational Resilience Policy.

RSAL has an Outsourcing Committee whose purpose is to oversee all in scope outsourcing arrangements, as defined by the RSAL Procurement policy, as well as any other procurement/contracting arrangement at its discretion.

Every deal segmented as "Critical" by the Risk Assessment Model will need to be presented before the Outsourcing Committee, for its approval, and before entering in a commercial relationship with a third party.

RSAL currently has contractual arrangements which are deemed critical or important, these are the Investment Management and the intra-group outsourcing arrangements with RSAI as well as with IFC Investment Management.

The RSAL Outsourcing Committee meets at least quarterly at appropriate times in the outsourcing cycle.

B.7.2 Intra-Group outsourcing arrangements

The intra-group outsourcing arrangement with RSAI covers areas such as IT maintenance and support, financial reporting and control activities, and certain other unregulated non-client facing tasks. The arrangement with Intact Investment Management covers investment accounting and associated reporting.

B.8 Any other information

B.8.1 Adequacy of system of governance

The adequacy of the system of governance is formally considered by the Board annually. This process considers both changes and recommendations made during the year (such as through Internal Audit, Risk and Compliance reporting) and any advice by other relevant functions based on their observations or regulatory change. Should it be deemed necessary, changes can also occur outside of this formal review. The Company's system of governance is effective and fit for purpose taking into account the nature, scale, and complexity of the risks inherent in its business.

B.8.2 Any other material information

Nothing to report.

C. Risk Profile

In this section

C.1 Underwriting risk

C.2 Market risk

C.3 Credit risk

C.4 Liquidity risk

C.5 Operational risk

C.6 Other material risks

C.7 Any other information

This section of the report provides information about the risk profile of the Company, covering in particular the underwriting and market risk.

C.1 Underwriting risk

C.1.1 Introduction

Underwriting, claims and reinsurance risks

The Company manages these risks through its underwriting strategy, reinsurance arrangements and proactive claims handling.

The Company's risk appetite statement sets the high-level appetite for insurance risk.

The underwriting strategy aims to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

In addition, the Company's Portfolio Strategy Statements set the appetite for the writing of individual risks and the underwriting and claims policies define the controls implemented across the business to manage these risk categories.

Additionally, the Group has a number of centrally managed forums to examine Group underwriting and claims issues, review and agree underwriting direction, promote collaboration and sharing of best practice and set policy, frameworks and directives where appropriate.

Reserve risk

The Company establishes technical provisions for claims to account for the anticipated ultimate cost of all claims and relevant expenses for claims that have already occurred. The Company establishes technical provisions for both reported and unreported claims. Technical provisions estimates are based on known facts and on interpretation of circumstances including the Company's experience with similar cases and historical claims payment trends. The Company also considers the development of claims payment trends, levels of unpaid claims, judicial decisions and economic conditions.

C.1.2 Measures used to assess risk

Underwriting and claims risk

The Company's underwriting strategy and risk appetite are reviewed, challenged and approved by the Board annually.

KRIs assess risk against the Board risk appetite and these are reported at the quarterly BRC. Underwriting risk indicators include measures for exposure control, pricing, the control environment and licences.

Portfolio strategy is reviewed quarterly under the Portfolio Review Groups meetings. This enables ongoing, proactive management of the implementation of portfolio strategies together with facilitation of forward looking portfolio risk assessments against measured key risk indicators. Risks and issues are escalated to the BRC.

Claims risks are monitored separately to facilitate management within appetite. The scope of claims risk indicators covers financial control, technical quality, case reserving, fraud, and control of delegated authorities.

Scenario and Stress testing and Risk Profiling are undertaken and are reported to the BRC.

The Company benefits from the pricing tools and process established at a RSA sub-group level. Effectiveness and robustness of pricing is regularly reviewed and measured. The review includes an assessment of the pricing components i.e. use of historical claims frequencies and severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns and allowance in the pricing procedures for acquisition expenses, administration expenses, the cost of reinsurance, and for a profit loading that adequately covers the cost of capital.

Underwriting and Claims Validation Reviews are held periodically to test the effectiveness of the processes and controls in the risk management frameworks. Where gaps are identified, appropriate action is taken to either remediate, monitor or risk accept based on the materiality. Breaches of controls are reported and escalated to the Risk function. Oversight is provided by the RSAL ERC with escalation to BRC depending on materiality.

Reserve risk

The Company has a Reserving Committee chaired by the RSAL Chief Actuary.

The Reserving Committee monitors the decisions and judgements made by the actuarial team on the level of reserves to be held and recommends to the Board, via the Audit Committee, on the level of reserves to be included within the financial statements. In forming its collective judgement, the Committee considers the following information:

- An actuarial indication of ultimate losses together with an assessment of risks and possible favourable or adverse developments that may not have been fully reflected in calculating these indications.
- Input from internal peer reviewers of the reserves and of other parties such as actuaries, legal representatives, risk directors, underwriters and claims managers.
- How previous actuarial indications have developed.

C.1.3 Material risks

Material risks identified during the reporting period include:

- **Catastrophe (CAT) Risk** - Covers the risk that a single event or series of events of major magnitude, usually over a short period, leads to a significant increase in actual claims compared to total expected claims. Losses can arise from either natural perils, for example hurricane, windstorm, flood and earthquake, or from man-made perils, for example fire/explosion.
- **Pricing Risk** - The risk that portfolio pricing strategies, monitoring and rating are insufficient to generate sufficient returns in key portfolios to maintain profitability and pay claims.
- **Reserving Risk** - The risk that case reserves are insufficient, untimely or inaccurate leading to unforeseen adverse development. The risk that more claims are reported in future than anticipated. The risk that legislative changes have a retrospective effect on claim settlements.
- **Underwriting Risk Selection** - Covers the risk that claims arising on exposures after the valuation date are higher (or lower) than assumed in the pricing other than those due to catastrophes. This can arise as the result of bad experience, third party interventions, ineffective portfolio management, poor pricing, poor risk selection or failure to underwrite effectively.
- **Claims Management Risk** - Financial losses through ineffective claims management processes, due to management information or process deficiencies (claims leakage).

C.1.4 Application of the prudent person principle

The prudent person principle is not applicable to underwriting risk.

C.1.5 Material risk concentrations

As a European insurer, the Company has most of its exposures in Continental Europe, concentrated in countries where its branches are located. This is assessed when the Group purchases reinsurance protection.

Large individual risks, especially with international exposures to natural CAT Risk, are closely monitored via the risk management system. The Company is protected against these large risks by the Global Property Risk treaty and, in a multiple loss scenario, by the Global CAT treaty.

C.1.6 Risk mitigation

The Company operates a comprehensive Risk Management system by the **RSAL Risk Management and Internal Control Policy**. This system includes policies which govern key activities such as Underwriting, Claims and Reinsurance. The policies introduce a system of mandatory controls which stipulate a system of minimum requirements and KRIs which are used to measure the effectiveness of these controls in mitigating risk.

The Underwriting and Claims governance and control framework spans a number of key activities, including (but not limited to):

- The Delegation of Technical Authority (Internal and External) including Licensing and Referrals
- Portfolio Strategy and Performance
- Underwriting Product Development
- Pricing
- Accumulation and Exposure Management
- Multi-National Risks
- Risk Control/Inspection
- Underwriting and Claims File Review/Validation
- Claims Management Processes
- Case Reserving

The management and mitigation of credit risk for reinsurance are described in Section C.3.6 Risk Mitigation.

In the ordinary course of business, we reinsure certain risks with other reinsurers to limit our maximum loss in the event of catastrophic events or other significant losses. Our objectives related to ceded reinsurance are primarily capital protection and are not intended to manage quarter to quarter volatility of results. These reinsurance arrangements mean that both the Company and the Group’s net retention plus reinstatement premiums and co-participations are within agreed Risk appetite metrics.

The external placement of ceded reinsurance is mainly on an excess of loss basis (per event or per risk), but some proportional cessions are made for specific portfolios. Treaty reinsurance protection is sourced centrally in collaboration with IFC/RSAI. The Company arranges additional facultative reinsurance protection where it is felt necessary.

In addition to the Company’s share of externally purchased Group protection the Company has additional intra group reinsurance in place, which comprises of a quota share agreement with RSAI. The arrangement covers prior year as well as any new business underwritten by the Company.

C.1.7 Risk sensitivity

See Section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.2 Market risk

C.2.1 Introduction

Market risk is the risk of potential losses from adverse movements in market prices including those of bonds, equities, property, exchange rates and derivatives as well as credit rating downgrade risk, credit spread risk, credit default risk and asset-liability matching risk.

C.2.2 Measures used to assess risk

Market risk exposures can be assessed through a number of factors including exposure by asset class, credit rating of counterparties, asset liability mismatch due to divergence in duration and currency exposures and concentration exposures.

Exposures are controlled by setting of investment limits and managing asset liability matching in line with the Company's risk appetite.

The Board is responsible for reviewing and approving the investment strategy for the Company's investment portfolios. It provides approval for all major changes in investment strategy.

For market risk the Company is mainly exposed to interest rate risk, currency risk and credit risk.

C.2.3 Material risks

The Company is exposed to the following material market risks:

Interest rate risk

The fair value of the Company's portfolio of fixed income securities is inversely correlated to changes in market interest rates. Thus if interest rates fall, the fair value of the portfolio would tend to rise and vice versa.

In assessing this risk, the Company will have reference to the interest rate exposures of its liabilities with risk being the difference between asset and liability exposures.

Currency risk

The Company trades mainly in euro, pound sterling and US dollar. The Company's net assets are subject to foreign exchange rate movements mainly linked to movements in the euro/sterling exchange rate. If the value of the euro strengthens then the value of non-euro net assets will decline when translated into Euros and consolidated.

The Company mitigates currency risk by matching cash assets and liabilities by currency at a Company level with any residual risk covered by foreign currency derivatives entered into with the Parent on an arms length basis.

Credit risk

The Company invests in bonds issued by governments, government-sponsored entities and corporate issuers.

The Company expects to receive incremental income through assuming credit rating downgrade risk, credit spread risk, credit default risk.

Credit risk appetite is controlled through the investment strategy and limits reviewed and approved by the Board.

C.2.4 Application of the prudent person principle

The Company applies market risk and liquidity risk policies that set out the minimum requirements for the identification, measurement, monitoring and reporting of market risk, liquidity risk and credit risk arising from investments for the Company's investment portfolio. A set of KRIs in the form of an investment limits framework has been developed alongside the policy. The policy refers to this for investment risk management and reporting purposes.

In particular, the prudent person principle requires the Company to exercise prudence in relation to the investment portfolio and to ensure assets are appropriate to the nature and duration of its liabilities (assets and liabilities management). It must also be able to show that it has appropriate systems and controls to hold and manage any such investments.

The Company holds fixed income securities, cash and cash equivalents.

C.2.5 Material risk concentrations

The Company holds a large proportion of its cash at one main key operational bank, creating a concentration of cash assets with one counterparty.

The bond portfolio consists of high quality, investment grade, fixed income assets, broadly reflecting the duration of its underlying insurance liabilities. The fixed income assets are well-diversified by sector and geography with circa 34% of the fixed income investments on the SII balance sheet comprising government securities (see Appendices for QRT S.02.01).

C.2.6 Risk mitigation

The Company maintains a low risk, high quality portfolio with exposure to fixed income securities, cash and cash equivalents. Counterparty concentration risk is limited through limits placed on aggregate exposure by credit rating and single counterparties reflecting a number of criteria including the counterparties' credit rating, industry and geography. Interest rate risk is limited through the Company maintaining a broad match of its asset duration to underlying liabilities. Credit spread risk and credit downgrade risk are mitigated through having a portfolio of high quality investment grade corporate bonds.

The company monitors the amount of cash held with it key operational bank and ensures that this does not breach the limits agreed by the board.

C.2.7 Risk sensitivity

See Section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.3 Credit risk

C.3.1 Introduction

Credit risk is defined as the risk of loss resulting from a counterparty failing to fulfil its contractual obligations to the Company or failing to do so in a timely manner. The Company is exposed to credit risk in respect of its reinsurance contracts, insurance operations (where counterparties include brokers, policy holders and suppliers), investments (where counterparties include governments and corporate bonds issuers), and cash held (where counterparties are banks).

C.3.2 Measures used to assess risk

Credit risk arises any time the Company's funds are extended, committed, invested or otherwise exposed through actual and/or implied contractual agreements with counterparties whether reflected on or off balance sheet.

The Board Risk Committee is responsible for ensuring that the Board approved credit risk appetite is not exceeded. This is done through the setting and imposition of the Company's policies, procedures and limits.

In defining its appetite for counterparty credit risk, the Company distinguishes between credit risks incurred as a result of offsetting insurance risks or operating in the insurance market (e.g. reinsurance credit risks and risks to receiving premiums due from policyholders and intermediaries) and credit risks incurred for the purposes of generating a return (e.g. invested assets credit risk).

Limits are set at both a portfolio and counterparty level based on likelihood of default, derived from the rating of the counterparty, to ensure that the Company's overall credit profile and specific concentrations are managed and controlled within risk appetite.

Financial assets are graded according to company standards. Investment grade financial assets are classified within the range of AAA to BBB ratings. AAA is the highest possible rating. For invested assets, restrictions are placed on each of the Company's investment managers as to the level of exposure to various rating categories including unrated securities.

The Company assesses and monitors the creditworthiness of its counterparties (e.g. policyholders, brokers, and third party suppliers). Reinsurer counterparty credit risk is assessed and monitored at a Group level by the Intact Reinsurance Credit Committee.

The Company also has a significant counterparty Credit risk exposure to its Parent. This is monitored on a quarterly basis by the Company within its risk appetite scorecard mainly through a look through to the solvency position of RSAI.

The Company has a fixed income investment portfolio administered by Goldman Sachs Asset Management and continues to maintain a high quality investment portfolio, regularly monitoring developments in the performance of its assets. It is noted that recent developments in the banking sector have led to increased pressures on certain sectors and holdings.

C.3.3 Material risks

The Company is mainly exposed to the following types of credit risk:

- **Counterparty risk -** defined to be the risk that a counterparty fails to fulfil its contractual obligations and/or fails to do so in a timely manner. This includes all types of counterparties such as agents, brokers, reinsurers including intra-group and other third parties.

- **Credit concentration risk -** defined to be an uneven distribution of exposure to counterparties, single-name or related entity credit concentration, and/or in industry and/or services sectors and/or geographical regions.
- **Credit downgrade risk -** defined to be the loss or gain from a change in an investment's credit rating agency rating and/or an analyst buy, sell, hold opinion.
- **Credit spread risk -** defined as the spread in returns between Treasury and/or Government securities and/or any non-Treasury security that are identical in all respects except for the quality of the credit rating of the non-Treasury security's counterparty

The Company has processes in order to identify its outstanding debt and the aging of that debt.

In cases where collection is delayed or is not possible, the Company is required to record a provision or write off of the debt according to local and Group Financial Reporting Standards.

C.3.3.1 Reinsurance credit risk

Reinsurance Credit risk is defined as the credit risk arising from the purchase of all Group treaty reinsurance and at the local level for the purchase of treaty reinsurance and facultative reinsurance. This includes business ceded through the Global Network.

In the case of the Company it also includes the risk of default of RSAI. This is particularly relevant to the Company given the internal reinsurance structures and intra-group support that is in place - see Section C.1.

C.3.3.2 Invested assets credit risk and credit downgrade risk

Invested assets credit risk is defined as the non-performance of contractual payment obligations on invested assets, and adverse changes in credit worthiness of invested assets including exposures to issuers or counterparties for bonds, loans, equities, deposits and derivatives etc. Credit downgrade risk is defined to be the loss or gain from a change in an investment's credit rating agency's rating and/or an analyst's buy, sell, hold opinion. Spread risk is defined as the risk arising from negative movement in price in a sector relative to the market resulting for example from the changes in the market's perceived view of risk generally or the industry sector specifically.

The Company has credit risk against intermediaries and brokers.

C.3.3.3 Credit risk arising from insurance operations

Insurance Operations Credit Risk (IOCR) is defined as credit risk arising from carrying out daily insurance business operations. This includes loss of principal or financial reward resulting from counterparty's failure to pay or fulfil all or part of its contractual obligations. For example, if the Company trades with an insolvent broker there is a risk that the Company will not receive all the premiums due from that broker.

The Company has credit risk against intermediaries and brokers.

C.3.4 Application of the prudent person principle

See Section C.2.4 for the application of the prudent person principle to credit risk arising from investments. The prudent person principle is not applicable to credit risk in relation to reinsurance and insurance operations.

C.3.5 Material risk concentrations

The Company is exposed to the following types of credit risk concentrations:

- Reinsurance counterparties (including the Company's parent – RSAI)
- Off balance sheet capital structures. The main off-balance sheet facility the Company has in place is €35m Tier 2 capital in the form of an Ancillary Own Funds (AOF) facility. This was approved in 2018 and is subject to eligibility criteria in line with Solvency II rules. The facility increases the Company's reliance on its parent RSAI and this is monitored through the Company's risk appetite statement on a quarterly basis.

C.3.6 Risk mitigation

The Company employs the following mitigating techniques and monitoring procedures in order to manage the different types of Credit Risk.

C.3.6.1 Reinsurance credit risk management

The Company is protected by treaty reinsurance, facultative reinsurance and the intragroup reinsurance (quota share).

Mitigation techniques

Group:

- **Intact Reinsurance Credit Committee** - The Committee is responsible for the oversight of the Group's reinsurance counterparty credit risk.
- **Approved Reinsurance Counterparties** – Group Reinsurance assess and approve all reinsurance counterparties. Group Reinsurance maintain information on all reinsurance counterparties used across the Group.
- **Approved Reinsurance Counterparties meet Corporate Standards** - Due diligence is performed, Group Reinsurance monitor and maintain the Approved Reinsurance Counterparties lists as part of an ongoing risk assessment of reinsurance counterparties. Where a reinsurance counterparty credit risk metric is approached or breached, risk response actions must be effected and reported to the Intact Reinsurance Credit Committee.
- **Appropriate Metrics** – Group Reinsurance establish metrics which are appropriate for quantifying reinsurance counterparty credit risk across the Group.

Company requirements:

- **Contract initiation** - Before entering into an outward reinsurance contract the Company must ensure and document that it has followed all the requirements of the Reinsurance Policy.
- **Exposure approval** – The Company must seek approval for reinsurance exposures with counterparties outside the approved reinsurance counterparty list prior to binding by following the appeals process.
- **Risk mitigation techniques** - Where risk mitigation techniques, such as the acceptance of collateral, are used they should be well understood by the business and appropriate processes and procedures must be established to operate the mitigant. The use of off balance sheet guarantees or Letters of Credit are approved on an individual basis. The principal risk to the Company is its credit risk exposure to RSAI, and in the event of the failure of RSAI, the negation of the reinsurance protection and ceded insurance.

Monitoring process

- **Credit Risk Profile** – Group Reinsurance review the reinsurance counterparty credit risk and monitor reinsurance counterparty exposure against maximum probable exposure limits.
- **Breaches** - Where a reinsurance counterparty credit risk metric is approached or breached, risk response actions are effected and reported to the Intact Reinsurance Credit Committee, the Company's ERC and BRC.
- **Ongoing information on counterparties** – Group Reinsurance must maintain information on all reinsurance counterparties used across the Group.
- **Quarterly Reporting** – The Company produces regular reinsurance counterparty credit risk reports covering their relevant counterparties, and notifying all known breaches of policy or appetite immediately to the BRC. The Company also monitors its exposure to Group companies within its quarterly risk appetite reporting.

C.3.6.2 Investment credit risk

Mitigation techniques

See Section C.2.6.

Monitoring process

The Company reviews its investment exposure against limits agreed by the Board and reports against these on a quarterly basis. Separately, external fund managers, monitor investment exposures against limits stipulated within the Investment Management Agreements.

C.3.6.3 Insurance operations credit risk

Mitigation techniques

- **Finance Committee** – the Company through its Finance Committee is responsible for identifying, assessing, maintaining, monitoring and reporting on IOCR exposures. Oversight of debt and associated credit risk is also subject to review at the RSA sub-group Receivables Committee.
- **Debt reconciliations** - Outstanding balances from the general ledger have to be agreed to supporting documentation and overdue payments are chased.
- **Completion of due diligence activities** – on-boarding due diligence requires the completion of external independent financial credit checks which includes the analysis of several financial inputs. Ongoing monitoring is undertaken on existing counterparties with any credit rating downgrades identified and reported.
- **Credit terms are set for each counterparty** – the Company must set credit terms prescribed by Group according to the nature and credit standing of each counterparty. These criteria and the acceptable credit terms are documented on the Insurance Operation Credit Risk policy (approved by the Board and Board Risk Committee).

Monitoring process

Examples of regular management information monitored by the Company include:

- Aged debtors and balances
- Breakdown of debtors
- Major counterparty debt exposure
- Bad debt provision

C.3.6.4 Credit concentration risk

Mitigation techniques

The monitoring of the financial strength of RSAI is embedded within local procedures and includes reviews of solvency, credit rating and liquidity positions.

C.3.7 Risk sensitivity

See Section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.4 Liquidity risk

C.4.1 Introduction

Liquidity risk refers to the risk of loss to the Company as a result of assets not being available in a form that can immediately be converted into cash or the securing of such assets at excessive cost (whether through borrowing or overdraft arrangements for example), and therefore the consequence of not being able to pay its obligations when due.

C.4.2 Measures used to assess risk

The Company breaks down liquidity risk into three subcategories:

- **Funding liquidity risk** - the risk that the Company may suffer any or all of the following: be unable to liquidate assets, secure funding or contingency funding arrangements, free from excessive or prohibitive clauses. Additionally, the risk of withdrawal or curtailment of funding facilities by third parties.
- **Foreign currency liquidity risk** - the risk that actual or potential future outflows in a particular currency are unable to be met from likely available inflows in that currency or purchased in the foreign exchange market.
- **Intra-day liquidity risk** - the risk that liquidity requirements increase during the course of a business day due to delays in settlement proceeds being received and/or problems in the workings of banking or other settlement systems.

Suitable monitoring processes are in place to assess all of the above including:

- Creation and maintenance of short-term cash flow forecasts, including by non-functional currency.
- Regular dialogue with the Company's operational bankers where applicable and relevant.
- Use of liquidity Key Performance Indicators (KPIs) to measure the proportion of assets and sources of liquidity that can be accessed within specified time periods such as overnight and 20 working days.

There have been no material changes to the measures used to assess risks during 2023.

C.4.3 Material risks

The Company considers that there are currently no material liquidity risks.

C.4.4 Application of the prudent person principle

The prudent person principle primarily relates to the investing of assets. As stated elsewhere, the Company operates a conservative investment policy with high levels of diversification and a material proportion of its assets held in cash and cash equivalents.

C.4.5 Material risk concentrations

The Company maintains a strong and liquid portfolio of cash and investment assets which are established by type and duration in order to provide a broad match against its liabilities. A minimum of 25% of RSA's assets can be liquidated within 20 days.

The Company considers that there are currently no material liquidity risk concentrations.

C.4.6 Risk mitigation

The Company minimises liquidity risk by operating a high quality, low risk investment strategy which matches a relatively short liability duration, and through holding a material proportion of its assets in cash.

The Company produces a regular cash flow forecast to manage working capital requirements.

The UK&I Treasury team within the RSA sub-group maintains a contingency funding plan that considers access to a range of funding options and sources under normal and stressed scenarios.

The Company has a €50m credit facility with its Parent which it could draw down on if needed. The Company does not believe that it has a material risk relating to liquidity and does not believe that it needs any further mechanisms or facilities to manage this risk.

C.4.7 Expected profit in future premiums

The Expected Profit in Future Premiums (EPIFP) is the profit relating to existing in-force contracts with premium amounts due in the future and not yet received at the valuation date. The Company has assessed its Expected Profit in Future Premiums (EPIFP) and, on a gross basis has aggregated this as circa €20.8m. This value has been disclosed on the Company's annual QRT S.23.01.01; see Appendix 2 – Quantitative Reporting Templates.

C.4.8 Risk sensitivity

See Section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

The Company does not currently consider liquidity risk as a material risk. This decision is reviewed on a regular basis.

Notwithstanding this, a range of liquidity stress tests are carried out on a quarterly basis.

C.5 Operational risk

C.5.1 Introduction

Operational risk covers the risks of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in the Company's operations and are typical of any large enterprise.

C.5.2 Measures used to assess risk

Operational risk exists in almost every aspect of business within the Company, and the effective management of operational risk plays a significant role in enabling the business to meet its strategic objectives and to deliver good customer outcomes.

The **Risk Management and Internal Control Policy** sets out the requirements to identify, assess, respond, monitor and report risk. The RMS sets out the Company's approach to minimising and/or preventing risk.

To support the identification and reporting of risks, the Company uses a Risk Taxonomy that is mutually exclusive and collectively exhaustive. The Risk Taxonomy for Operational Risk includes the following sub-categories:

- Internal Fraud
- External Fraud
- People
- Business Disruption
- Systems
- Information
- Physical Security and Safety
- Third Party
- Legal and Compliance
- Project and Change
- Business Process Deficiencies

The Business is responsible for identifying and capturing risks in a risk register. Several sources may be used to support risk identification. These include:

- Internal and external insights
- Stress and scenario testing
- Risk incidents
- Risk appetite and key risk indicators
- Control testing

- Emerging risk assessments

Risk registers document key functional risks, the taxonomy allows us to identify risks that link to policies across a risk category.

Once risks have been identified the Business must assess inherent, residual and target risk exposure:

- **Inherent Risk Exposure** – Assumes no controls are in place but the people have experience.
- **Residual Risk Exposure** – Exposure based upon an analysis of the effectiveness of the controls in place at a point in time.
- **Target Risk Exposure** – Assumes that all the desired controls are in place and operating.

Risks are assessed using a likelihood and impact scale to drive an overall risk intensity view (from Low – Green to Very high – Red). The likelihood scale (Very Low to Very High) is based on a 12-month time horizon probability (<1% Probability to >50% Probability). The impact scale (Very Low to Very High) considers financial, regulatory, operational, and customer impact.

The outputs of the risk assessment process and risk responses (i.e. action plans) are reviewed and challenged by the Risk function and at appropriate Committees: the Company's ERC and BRC.

C.5.3 Material risks

There are no material operational risks that the Company is exposed to.

C.5.4 Application of the prudent person principle

The prudent person principle is not applicable to operational risk.

C.5.5 Material risk concentrations

Whilst there are many inter-dependencies between operational risks there are no material risk concentrations.

C.5.6 Risk mitigation

The operational risk management strategy is achieved through the following:

- Risk Management and Internal Controls Policy
- RSAL Risk Appetite Procedure
- RSAL Policy Management Procedure
- RSAL Risk Management Procedure
- Operational Risk Incident Procedure

The Risk Management and Internal Controls Policy is supported by a number of procedures and several regional policies that set out principles and expected controls. The effective operation of the controls, control testing and assurance outlined in policies helps to ensure that the company operates within risk appetite.

For risks that are outside of Target Risk Exposure, a risk response is required. The following two risk responses (treatments) are acceptable:

- **Risk mitigation** - taking action to reduce the potential impact or likelihood of a risk to target risk exposure, through the enhancement of existing controls or the design and implementation of new controls.
- **Risk monitoring** - where a risk is mitigated to target risk exposure or further risk mitigation is not possible, and no further action will be taken. The risk will be monitored to ensure sustained performance at this level of risk exposure.

Risk response action plans are reviewed and challenged at RSAL ERC and BRC. Action plans must include an action owner and due date(s).

Additionally, Risk Function (2nd Line) has periodic meetings with business areas (1st Line) where provide independent advice, review and challenge of the first line activities as:

- Consider the impact of internal and external factors on risk identification (new risks) and risk exposure (existing risks).
- Review key risk indicators that breach operating target or exceed tolerance to assess whether risk response is sufficient and appropriate.
- Consider the impact of control findings/issues and assurance reports on risk exposure.
- Assess risk incident trends (including operational losses and near misses) to identify any further actions needed.
- Monitor the status of action plans to identify risks to delivery and/or respond to issues.
- Consider the impact of any emerging risk reviews, scenario tests or other deep dives on risk identification and risk exposure.

C.5.7 Risk sensitivity

See Section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.6 Other material risks

C.6.1 Other material risks

The Company is not exposed to any other material risks.

C.7 Any other information

Stress and scenario testing

Once a year, the Company performs a stress and scenario testing exercise aimed at quantifying the impact on own funds of different scenarios. The exercise is led by the Risk function with input from other functions.

The stress and scenario testing activities may cover all material risk classes to which the Company has exposure, with the purpose of evaluating the Company’s vulnerabilities to exceptional but plausible events. It is an opportunity to demonstrate that solid risk management processes are in place that would allow the Company to perform under mild and extreme circumstances.

The scenarios and process to be followed for quantifying their impacts are reviewed and approved by the senior management, along with possible mitigating actions. Furthermore, the results of the exercise are reported to the Board.

In 2023, the key scenarios were targeted to support the decision to reduce the cession rate of the quota share. No scenario led to a breach of the SCR coverage ratio floor set by the Board of Directors.

D. Valuation for Solvency Purposes

In this section

SII Balance sheet

D.1 Assets

D.2 Technical provisions

D.3 Other liabilities

D.4 Alternative methods for valuation

D.5 Any other information

This section sets out the basis of preparation and assumptions used in the valuation under SII of the assets, technical provisions and other liabilities of the Company for each material class.

SII requires assets and liabilities to be valued on the basis that reflects their fair value (described as “economic valuation”) with the exception that liabilities should not be adjusted to take account of changes in an insurer’s own credit standing. Fair value reflects the amount that the Company would receive if an asset was sold, or would have to pay to settle a liability in an arm’s length transaction between knowledgeable and willing parties.

The financial statements of RSA Luxembourg S.A. have been prepared in compliance with the amended law of 8 December 1994 on financial statements with respect to insurance and reinsurance undertakings and with the significant accounting policies generally accepted within the insurance and reinsurance industry in the Grand Duchy of Luxembourg.

The valuation of assets and liabilities for SII purposes begins with the values from the financial statements. Adjustments are made for specific differences in valuation between Lux GAAP and Solvency II.

For further details of the accounting policies adopted for the purposes of preparing statutory accounts, see the accounting policies section of the financial statements of the Company.

SII Balance Sheet

The table below shows the Lux GAAP financial statements values, compared to the SII balance sheet. The adjustments made are classified into two broad categories:

- Reclassifications of the Lux GAAP balance sheet items into the appropriate Solvency II categories.
- Revaluation adjustments for areas where the Lux GAAP valuation techniques are not considered to be consistent with SII requirements.

	Financial statements note	Statutory accounts value €'000	Reclass-ification €'000	SII valuation adjustments €'000	Solvency II value €'000	SFCR section
Deferred acquisition costs	3.2.14	28,509	(34,070)	5,561	-	D.1.1.1
Deferred tax assets		-	-	3,083	3,083	D.1.1.2
Property, plant and equipment held for own use	3.2.3 7	1,795	-	4,231	6,026	D.1.1.3
Investments (other than assets held for index-linked and unit-linked contracts)	4	70,300	419	(1,642)	69,077	
Bonds	3.2.2	55,150	392	(1,642)	53,900	D.1.1.4
Collective investments undertakings	3.2.2	15,150	27	-	15,177	D.1.1.4
Reinsurance recoverables	3.2.7	853,944	(17,553)	(162,783)	673,608	D.2
Insurance and intermediaries receivables		113,161	9,249	(103,601)	18,809	D.1.1.4
Reinsurance receivables	10	46,982	13,823	(4,899)	55,906	D.1.1.4
Receivables (trade, not insurance)	10	74,881	(13,801)	(7)	61,073	D.1.1.4
Cash and cash equivalents	3.2.6	36,407	(17)	-	36,390	D.1.1.4
Any other assets, not elsewhere shown		22,859	(21,334)	(522)	1,003	D.1.1.4
Total assets		**1,248,838**	**(63,284)**	**(260,579)**	**924,975**	
Technical provisions	3.2.7	959,043	(21,941)	(186,530)	750,572	D.2
Provisions other than technical provisions	18	411	-	-	411	D.3.1.3
Insurance & intermediaries payables		14,157	9,668	(10,076)	13,749	D.3.1.1
Reinsurance payables	10	91,522	13,403	(66,166)	38,759	D.3.1.1
Payables (trade, not insurance)	10	19,566	(12,790)	6,068	12,844	D.3.1.1
Any other liabilities, not elsewhere shown		63,401	(51,624)	5	11,782	D.3.1.1
Total liabilities		**1,148,100**	**(63,284)**	**(256,699)**	**828,117**	
Excess of assets over liabilities		**100,738**	**-**	**(3,880)**	**96,858**	

D.1 Assets

D.1.1 Valuation of assets

The assets of the Company are valued in accordance with Article 75 of the Solvency II Directive, related articles of the Delegated Act, i.e. Solvency II Delegated Regulation 2015/35 and the guidelines issued by EIOPA on the valuation of assets and liabilities other than technical provisions.

This section describes, for each material class of assets:

- The bases, methods and main assumptions used in valuing those assets for SII purposes.
- Where relevant, details of estimation techniques, risks and uncertainties relating to these valuations.
- An explanation of any material differences in SII valuations compared to Lux GAAP.

There were no changes made to the recognition and valuation bases used or to estimation approaches during the period.

D.1.1.1 Deferred acquisition costs

Deferred acquisition costs (DAC) recognised in Lux GAAP comprises the direct and indirect costs of obtaining and processing new insurance business. Lux GAAP DAC is valued at €Nil under SII, and acquisition costs not incurred by the reporting date are included in the calculation of technical provisions.

D.1.1.2 Deferred tax assets and liabilities

The valuation method for deferred tax balances is the same under IFRS and SII, whereas under Lux GAAP the recognition of deferred tax balances is disallowed. Deferred tax is provided in full using the IAS 12 liability method on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts on the SII balance sheet. Lux GAAP to SII valuation adjustments are therefore considered in assessing the temporary differences upon which the deferred taxes are derived.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the related deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which unused tax losses and temporary differences can be utilised.

See Section D.1.2 for more information on deferred tax.

D.1.1.3 Property, plant and equipment

Property, plant and equipment is included in the SII balance sheet at fair value, and comprises:

- Company occupied land and buildings
- Fixtures, fittings and equipment (including computer hardware)

Under Lux GAAP reporting, property, plant and equipment is stated at cost, or open market valuation, less accumulated depreciation and accumulated impairment expense. Cost includes the original price, cost 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.

On the SII balance sheet, property and equipment Lux GAAP values (depreciated cost) are assumed to approximate fair value, except in specific instances where an adjustment is deemed necessary.

Under SII, an adjustment is made to recognise lease assets in accordance with the provisions of IFRS 16, which are not recognised under Lux GAAP. IFRS values (amortised cost) are assumed to approximate fair value.

D.1.1.4 Financial assets

Financial assets are valued at fair value for both Lux GAAP and SII, except where otherwise stated. The methods and assumptions used by the Company in estimating the fair value of financial assets are:

- Debt securities and other Fixed income transferable securities are valued at historical acquisition cost for Lux GAAP, which includes expenses incidental to the purchase, or redemption value, taking into account the following elements:

  - A positive difference between the acquisition cost and the redemption value is written off in instalments over the duration of the holding of the security.
  - A negative difference between the acquisition cost and the redemption value is released to income in instalments over the period remaining to repayment.

  Fair value for SII is determined on a market basis by reference to underlying interest rate, foreign exchange rate, equity or commodity instrument or indices.

- Cash and deposits: Lux GAAP carrying amounts approximate to fair values. For SII reporting, except for cash in hand, accrued interest is added to the relevant instruments and balances, reclassified from other assets. Cash and cash equivalents include cash in hand, cash held as part of the tripartite agreement between the Company, CAA and HSBC to cover the policyholder liabilities and other short-term cash held within the branches.

- Receivables and other assets: Lux GAAP carrying amounts approximate to fair values. Premium debtors and recoveries falling due for payment after the balance sheet date are reclassified from receivables to technical provisions if within the contract boundary; else removed entirely. See Section D.2 for more details.

- Prepayments: prepaid expenses that are considered to have no future economic value are valued at €Nil under SII.

Reinsurance recoverables

The sub-categories in the SII balance sheet of reinsurers’ share of technical provisions mirror those of the gross balances and the same mapping of SII lines of business is to be used. See Section D.2 for more details.

D.1.2 Analysis of deferred tax

An analysis of deferred tax is detailed below:

	Asset €'000	Liability €'000
Deferred tax assets/liabilities	**3,083**	**-**

The following table sets out the deferred tax assets and liabilities recognised by the Company, split by main categories:

	€'000
Tax losses	**2,776**
Technical Provisions	**307**
Net deferred tax position at 31 December	**3,083**

Of the total deferred tax asset of €3,083k recognised by the Company, €961k relates to a tax jurisdiction in which the Company has suffered a tax loss in either the current or preceding period.

Deferred tax assets have been recognised on the basis that management consider it probable that future taxable profits will be available against which these deferred tax assets can be utilised. The evidence for the future taxable profits is a five-year forecast based on the three-year operational plans and a further two years of extrapolation. The operational plans are subject to internal review and challenge, by senior management and the Board.

At the end of the reporting period, the Company had the following unrecognised tax assets:

	Gross amount €'000	Tax effect €'000
Trading tax losses	59,096	14,943
Unrecognised tax assets as at 31 December	59,096	14,943

€3,772k of the gross trading tax losses relate to Luxembourg where losses can be carried forward for a maximum of seventeen years. The losses will expire on the following dates:

Gross loss €'000	Expiry date
450	31/12/2035
752	31/12/2036
649	31/12/2037
263	31/12/2039
1,658	31/12/2040
3,772	

The procedure for calculating SII deferred tax figures for the Company utilises a walkthrough bridge of the values that are included in the Company's financial statements. A tax analysis is performed of valuation adjustments made to the Lux GAAP balances to arrive at the SII balance sheet. Where these adjustments give rise to a temporary difference under IAS 12, a deferred tax asset or liability is recognised in accordance with SII guidance. Under Lux GAAP, a deferred tax asset or liability is not recognised as recognition of deferred tax is disallowed.

D.2 Technical provisions

D.2.1 Valuation and comparison of Lux GAAP to SII

Technical provisions are valued using the methods and assumptions described in Section D.2.2.

The main differences between SII technical provisions and the Lux GAAP equivalent are:

- Lux GAAP provisions include a margin for prudence; whereas SII technical provisions include a risk margin calculated on a different basis.
- Differences in discounting. In SII all technical provision cash flows are discounted using the EIOPA yield curve. In Lux GAAP there is no discounting.
- Inclusion of an allowance for Events Not In Data (ENIDs) in SII, covering estimates of low frequency events that are not captured in historical data sets.
- SII technical provisions are net of future premium cash flows where premium income due in the future is covered within the bound contract terms and conditions.
- For future exposures, SII considers only the best estimate of liability cash flows (allowing for reinsurance treaty renewal) and not an unearned premium reserve (as is covered in Lux GAAP). As a result, profit relating to future exposures (after allowance for ENIDs) will come through as a difference in the liability valuation.
- Within SII, an allowance for the risk of reinsurer default is calculated.

The following table quantifies the differences in the SII net technical provisions and the equivalent Lux GAAP provisions (net of deferred acquisition costs) for each SII line of business. The table is followed by notes explaining how the different valuation approaches set out above contribute to the differences observed for each line of business.

Amounts in €'000		**SII Net Technical Provisions Best Estimate**	**Risk Margin**	**Statutory Accounts Value (including Salvage and Subrogation)**	**Difference**
Direct Business and Accepted Proportional Reinsurance	Marine, Aviation and Transport	**8,899**	**1,309**	**13,206**	**(2,998)**
	Fire and Other Damage to Property	**29,781**	**4,331**	**43,703**	**(9,591)**
	General Liability	**28,282**	**4,338**	**43,770**	**(11,150)**
	Miscellaneous financial loss	**20**	**3**	**31**	**(8)**
TOTAL		**66,982**	**9,981**	**100,710**	**(23,747)**

Notes

(1) Allowance for future premium within SII Technical Provisions is a significant difference impacting the lines of business of Marine Aviation & Transport, Fire & Other Damage to Property and General Liability.

(2) Profit allocated to UPR under Lux GAAP is released in SII. This applies for all classes.

(3) Risk Margin held under SII is higher than the margin in the Technical Provisions under Lux GAAP, calculation basis is different.

(4) Discounting is used throughout SII impacting the SII Technical Provisions for all classes compared to the Lux GAAP financial statements value, where no discounting is applied.

D.2.2 Basis of preparation of technical provisions

Under SII, the technical provisions are made up of:

Claims provision + Premium provision + Risk margin

The claims provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums) relating to claim events.

The premium provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums due) relating to future exposure arising from policies that the Company has written, or bound but not incepted, at the valuation date.

The risk margin calculation is based on the cost of capital required to hold future SCRs over the life of the technical provisions as they run off.

The valuation of the best estimate for claims provisions and for premium provisions are carried out separately. Claims and premium provisions are calculated both gross of outwards reinsurance and for outwards reinsurance. The risk margin is only calculated net of reinsurance.

D.2.2.1 Bases, methods and assumptions used for valuation

The claims provision comprises the estimated cost of claims incurred but not paid at the end of the reporting period. The provisions are calculated by valuing future cash flows including claims payments, related expenses, salvage and subrogation recoveries and reinsurance transactions. The provision is determined using the best information available of claims settlement patterns, forecast inflation and estimated claims settlement amounts.

Future claims cash flows include an allowance for ENIDs.

The premium provision comprises estimated cost of future claims and associated expenses for unearned business on a best estimate basis, offset by future premiums due. The cash flows also include profit commissions and the costs of policy administration.

All expenses that would be incurred in running-off the existing business, including a share of the relevant overhead expenses are taken into account. This share is assessed on the basis that the Company continues to write new business. The expense provision includes items such as investment expenses.

Future claims cash flows are generally determined by considering how past claims payments have materialised, with separate explicit cash flows determined for gross of reinsurance and net of reinsurance.

Cash flows are discounted for the time value of money using yield curves prescribed by EIOPA.

The risk margin is based on the following: determining the present value of the cost of holding the SCR necessary to support the Company's insurance obligations over their lifetime. This approach is intended to reflect the costs incurred by a notional (re)insurer, the Reference Undertaking, of holding the capital to accept a transfer of liabilities.

D.2.2.2 Significant simplified methods

For the premium provision, under the legal obligation basis of SII, all existing bound contracts are to be valued, whether the contracts have incepted or not. This includes future premium and claims cash flows for policies not yet incepted by the valuation date, but already forming part of contractual obligations (Bound But Not Incepted (BBNI) business).

For the risk margin, the future SCRs of the Reference Undertaking are estimated by considering the remaining claims at each future valuation date. As claims run off, a higher proportion of long tail claims (e.g. liability) remain which require a proportionally higher level of capital to support them. The method used reflects the proportionally increasing levels of capital required in the future. Finally, the risk margin calculation is based on historical risk margin calculated as per the above methodology.

D.2.3 Uncertainties and contingencies

There is an inherent uncertainty in estimating claims provisions at the end of the reporting period for the eventual outcome of outstanding notified claims as well as estimating the number and value of claims that are still to be notified. In particular, the estimation of the provisions for the ultimate costs of claims for liability exposures is subject to a range of uncertainties that is generally greater than those encountered for other classes of business due to the slower emergence and longer settlement period for these claims.

Other uncertainties include the following:

- The possibility of future legislative change having retrospective effect on open claims
- Changes in claims settlement procedures potentially leading to future claims payment patterns differing from historical experience
- The possibility of new types of claim, such as disease claims, emerging from business written several years ago
- General uncertainty in the claims environment
- The emergence of latent exposures such as asbestos
- The outcome of litigation on claims received
- Failure to recover reinsurance and unanticipated changes in claims inflation

There is considerable uncertainty in the economic environment beyond 2023, and changes such as ongoing inflationary pressure could have an impact on claims costs. The inflationary pressure, combined with the post pandemic distortions over the same period, complicates assessment of the ultimate claims costs. Different factors are contributing to severity changes such as settlement delays and supply chain issues which are likely to have been impacted by Covid-19, increasing social and claims inflation and evolving geo-political uncertainty. Inflation increases in 2021-23 were the largest in a generation and impact elements of the claims cost in different ways. For some claim types, it will take time before the full impact of increased inflation becomes apparent, particularly for the long tail liability classes, whilst for short tail property and damage the impact is now mostly contained within our data. In the meantime our estimates require increased reliance on our assumptions compared to the previous stable claims inflation environment. While allowance has been made for the increase in expected liabilities because of these, there is an uncertainty that the actual experience is significantly different from expected. In 2023, the RSAL Pricing Committee met with more regular frequency than usual, actively monitoring inflation indicators that impact across products and geographies, ensuring that the latest metrics available were captured through pricing.

These uncertainties also impact the assumed loss ratios for future which then bring in increased uncertainty in premium provisions as ultimate claims costs need to be estimated for future events. The ultimate level of future claims costs is largely mitigated by reinsurance.

D.2.4 Use of adjustments and transitionals

In valuing the Company's technical provisions, none of the following were applied during the year:

- The Matching Adjustment (MA) referred to in Article 77b of Directive 2009/138/EC
- The transitional risk-free interest rate term structure referred to in Article 308c of Directive 2009/138/EC
- The transitional deduction referred to in Article 308d of Directive 2009/138/EC

Since March 2020, the Company has applied the Volatility Adjustment (VA), as referred to in Article 77d of the SII Directive. For quantification of the impact of the VA on the Company's technical provisions and capital position, see QRT S.22.01, included in Appendix 2.

D.2.5 Recoverables from reinsurance contracts and SPVs

The Company enters into reinsurance contracts which include treaty and facultative covers. The Company's treaty reinsurance is largely excess of loss protection for individual risks or from claims following catastrophe events. The Company also reinsures business on a quota share basis. At any balance sheet date, the Company will expect to recover under these treaties. See Section C.1.6 (Underwriting Risk – Risk Mitigation) for further details of the Company's reinsurance contracts and the Company SII Balance Sheet (Section D) for the reinsurance recoverables amounts.

D.2.6 Changes in assumptions

The Company routinely adjusts the assumptions underlying the calculation of technical provisions in light of emerging risks or trends in the data and any other relevant information. Many of these assumptions only have minor impacts on the level of technical provisions reported.

Aside from reacting to evolving economic uncertainty, inflationary trends, as well as the combination of these effects alongside potential Covid-related external distortions on development speed and changing mix of claim there were no material changes to assumptions in 2023.

D.3 Other liabilities

D.3.1. Valuation of other liabilities

The liabilities of the Company are valued in accordance with Article 75 of the Solvency II Directive, related articles of the Delegated Act, i.e. Solvency II Delegated Regulation 2015/35 (as amended) and the guidelines issued by EIOPA on the valuation of assets and liabilities other than technical provisions.

This section describes, for each material class of liabilities (other than technical provisions):

- The bases, methods and main assumptions used in valuing those liabilities for SII purposes.
- Where relevant, details of estimation techniques, risks and uncertainties relating to these valuations.
- An explanation of any material differences in SII valuations compared to Lux GAAP.

There were no changes made to the recognition and valuation bases used or to estimation approaches during the period.

D.3.1.1 Financial liabilities

Financial liabilities are valued at amortised cost under Lux GAAP and fair value for SII balance sheet valuation purposes. The methods and assumptions used by the Company in estimating the fair value of financial liabilities are:

- Payables, other liabilities and accruals: carrying amounts approximate to fair values as they are short term liabilities

Upon subsequent measurement of financial liabilities, any changes in own credit risk are not reflected in the fair value.

Under Lux GAAP, debtors and payables relating to future premiums not yet due at the balance sheet date are included within insurance and reinsurance debtors and payables; however, under SII future premiums are included within SII technical provisions as future cash flows.

As per the principle of correspondence, the only insurance business to be recognised as ceded is bound business, i.e. business recognised within gross technical provisions. Reinsurance payables are adjusted for amounts that do not meet this criterion, unless the cost is sunk, in which case it must be recognised in full.

D.3.1.2 Contingent liabilities

Material contingent liabilities (those where information about the current or potential size or nature of those liabilities could influence decision-making or judgement) are recorded on the SII balance sheet and are valued at the expected present value of future cash flows to settle the obligation liability over the lifetime of that contingent liability, using the relevant risk-free interest rate term structure.

This applies to non-insurance risks only, as insurance risks are captured by the best estimate component of technical provisions.

Contingent liabilities acquired in a business combination are valued on a basis consistent with that used for Lux GAAP reporting.

D.3.1.3 Provisions other than technical provisions

Provisions are valued in the same way under both Lux GAAP and SII.

Provisions for other risks and charges are intended to cover losses or debts, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred, or certain to be incurred but uncertain as to amount or as to the date on which they will arise.

D.3.2 Lease liabilities

Under SII, an adjustment is made to recognise lease liabilities under operating leases in accordance with the provisions of IFRS 16, which are not recognised under Lux GAAP. IFRS values are assumed to approximate fair value.

See Section A.4.2 for information on leases.

D.4 Alternative methods for valuation

Nothing to report.

D.5 Any other information

Nothing to report.

E. Capital Management

In this section

E.1 Own funds

E.2 Solvency capital requirement and minimum capital requirement

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

E.4 Differences between the standard formula and any internal model used

E.5 Non-compliance with the MCR and non-compliance with the SCR

E.6 Any other information

E.1 Own funds

E.1.1 Objectives, policies, processes and material changes

Capital management - Policies and processes for managing own funds

The primary objective of the Company's capital management function is to ensure that the business has sufficient capital to meet its obligations. This is achieved by optimising the balance between return and risk, while maintaining economic and regulatory capital in accordance with the Company's risk appetite.

The Company's Capital Policy identifies the roles and responsibility to govern, monitor and oversee capital resources, ensuring that these are within risk appetite and meet appropriate regulatory/accounting rules and guidelines. This includes the calculation, estimation and forecasting of capital resources and capital requirements such as Solvency II Available and Eligible Own Funds and the Solvency II SCR and Minimum Capital Requirement (MCR).

Own Funds are comprised of items on the Solvency II Balance Sheet (Basic Own Funds) and items that may be called upon to absorb losses (off balance sheet items referred to as AOF). The main constituent of Basic Own Funds is the excess of assets over liabilities, as valued on a Solvency II regulatory basis.

Business planning

Consistent with the RSA planning protocol, the Company operates a three-year time horizon for business planning. Plans are refreshed and reviewed annually at local, regional and RSA executive level.

Material changes over the reporting period

On 30 June 2023 an agreement was made and endorsements to contracts were signed to reduce the cession rate on the internal quota share arrangement between RSAI. and RSAL from 83% to 80%. At the same time, a capital injection of €10m was provided to RSAL by RSAI. to maintain an adequate buffer above coverage targets. The cession rate change was introduced in order to ensure the Company maintains a minimum level of risk to adhere to EIOPA guidelines.

E.1.2 Structure, amount and quality of own funds

Classification and eligibility of capital

The Company's own funds are classified per SII requirements as follows:

Solvency II Tier	Capital Item
Tier 1	Paid in ordinary share capital, and the related share premium Reconciliation reserve
Tier 1 Restricted	Not applicable
Tier 2	Approved Ancillary Own Funds in the form of unpaid and uncalled ordinary share capital callable on demand
Tier 3	Net deferred tax assets

Tier 1 own funds include the SII reconciliation reserve, the key elements of which are as follows:

- Excess of assets over liabilities as presented in the SII balance sheet.
- A deduction for amounts already included in Basic Own Funds, including ordinary share capital and share premium account.

Further information in relation to the derivation of the Company's own funds is provided in Section D.

Capital composition

The Company's Solvency II balance sheet is derived from the Luxembourg GAAP balance sheet by making suitable adjustments in accordance with the detailed rules specified under the Solvency II Directive (2009/138/EC). The resultant Solvency II Basic Own Funds are then used to derive the Company's Eligible Own Funds for assessing coverage of its SCR and MCR.

The Company's capital structure by tier as at 31 December 2023 is as per the table below.

		2023 **€'000**	2022 €'000
Tier 1 Unrestricted	Equity capital (including Share Premium)	90,797	82,163
	Reconciliation reserve	2,978	(2,101)
		93,775	80,062
Tier 1 Restricted	Not applicable		-
Tier 2	Unpaid and uncalled ordinary share capital callable on demand	**35,000**	35,000
Tier 3	Net deferred tax assets	**3,083**	1,273
	Total Available Own Funds	**131,858**	116,335

Analysis of significant changes in own funds

Available Own Funds increased in value during the year as a result of an increase in excess assets over liabilities, largely due to a €10m capital injection received from RSAI to maintain an adequate buffer above coverage targets as part of the change in cession rate.

E.1.3 Eligible own funds to cover the SCR

Basic own funds to eligible own funds

Solvency II requires that Basic Own Funds are first considered against availability rules, and then subjected to eligibility criteria based on both the SCR and capital structure. Eligible Own Funds are considered available to cover the SCR.

The Company's Basic Own Funds are reconciled to Eligible Own Funds below:

	Basic Own Funds €'000	**Ancillary Own Funds €'000**	**Availability restrictions €'000**	**Available Own Funds €'000**	**Eligibility restrictions €'000**	**Eligible Own Funds €'000**	**Eligibility Capacity €'000**	**Eligibility rule**
Tier 1	93,775	-	-	93,775	-	93,775		
Tier 1	-	-	-	-	-	-	23,444	**20% of total Tier 1**
Tier 2	-	35,000	-	35,000	-	35,000	45,179	**Tier 2 + Tier 3 up to 50% of SCR**
Tier 3	3,083	-	- -	3,083	-	3,083		
Total	**96,858**	**35,000**	**-**	**131,858**	**-**	**131,858**		
					SCR	**90,357**		
					Surplus	**41,501**		
					SCR	**146%**		

Capital not available to cover the SCR

The Company has no capital which is not available to meet the SCR.

Ineligible capital to cover the SCR

The Delegated Act (Solvency II Delegated Regulation 2015/35 - as amended) requires that limits are imposed upon the eligible amounts of restricted Tier 1, Tier 2 and Tier 3 capital, according to the calculation of the SCR:

- Eligible Tier 1 items shall be at least 50% of the SCR.
- Eligible Tier 3 items shall be less than 15% of the SCR.
- The sum of eligible Tier 2 and eligible Tier 3 items shall be no more than 50% of the SCR.

The limits on the sum of eligible Tier 2 and eligible Tier 3 available capital (i.e. no more than 50% of the SCR) per Article 82 of the Delegated Regulation are the only restrictions on the Company's Available Own Funds to meet the SCR.

E.1.4 Eligible own funds to cover the MCR

Solvency II requires that Basic Own Funds are first considered against availability rules and then subjected to eligibility criteria based on both the MCR and capital structure. Eligible Own Funds are considered available to cover the MCR.

2023	Basic Own Funds €'000	Ancillary Own Funds €'000	Availability restrictions €'000	Available Own Funds €'000	Eligibility restrictions €'000	Eligible Own Funds €'000	Eligibility Capacity €'000	Eligibility rule
Tier 1	93,775	-	-	93,775	-	93,775		
Tier 1 (R)	-		-	-	-	-	23,444	**20% of total Tier 1**
Tier 2	-	35,000	(35,000)	-	-	-	4,518	**Tier 2 up to 20% of SCR**
Tier 3	3,083	-	(3,083)	-	-	-		
Total	**96,858**	**35,000**	**(38,083)**	**93,775**	**-**	**93,775**		
					MCR	**22,589**		
					Surplus	**71,186**		
					MCR	**415%**		

Refer to Section E.2.7 for further information.

Capital not available to cover the MCR

Ancillary Own Funds items do not form a part of basic own funds and therefore cannot form a part of available own funds to meet the MCR. Tier 3 items are not available to cover the MCR.

Total eligible own funds to meet the MCR

The Delegated Act requires that limits are imposed upon the eligible amounts of Restricted Tier 1, Tier 2 and Tier 3 capital, according to the calculation of the MCR:

- Eligible Tier 1 items shall be at least 80% of the MCR.
- Eligible Tier 2 items shall be no more than 20% of the MCR.
- Any restricted Tier 1 items shall represent no more than 20% of the total amount of Tier 1 items. Items exceeding this limit are reclassified to Tier 2.

E.1.5 Differences between equity and net assets

Comparison between Luxembourg GAAP net equity and Solvency II Basic Own Funds

The comparison between the Company's Luxembourg GAAP net equity and its Basic Own Funds (excess of assets over liabilities as calculated for solvency purposes) is set out in Sections D, with valuation of assets, technical provisions and other liabilities on a Solvency II basis set out in Section D.1, D.2 and D.3 respectively.

	€'000
Excess of assets over liabilities (see Section D)	**96,858**
Own shares (held directly and indirectly)	**-**
Foreseeable dividends, distributions and charges	**-**
Other non-available own funds items	**-**
	96,858
Subordinated debt	**-**
SII Basic Own Funds	**96,858**

Foreseeable dividends

The Company did not pay a dividend during the period being reported on and the directors do not recommend that a dividend should be paid.

E.1.6 Transitional arrangements

The Company has no own funds items which are subject to transitional arrangements.

E.1.7 Ancillary Own Funds

On 29 August 2018 and following receipt of approval from the CAA, the Company executed an Ancillary Own Funds transaction within the meaning of the Solvency II Directive (2009/138/EC). This took the form of issued but unpaid share capital callable on demand and the counterparty was the Company's immediate parent undertaking, RSAI. This AOF facility remained available to the Company throughout the 2023 financial year and had the effect of increasing the Company's Available Own Funds under Solvency II by €35m. These shares represent an off-balance sheet arrangement.

The Ancillary Own Funds represent Tier 2 capital and are subject to eligibility rules in terms of SCR coverage. They are not available for use against the Company's MCR.

E.1.8 Deductions and restrictions

See Sections E.1.3 and E.1.4 for a description of the nature and amount of restrictions on Own Funds, including the availability and eligibility of deferred tax assets.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 SCR and MCR

The Company has elected to use the Standard Formula to calculate its SCR. The Company's SCR and MCR at 31 December 2023 are as follows:

	SCR	MCR
	€'000	€'000
Total	**90,357**	**22,589**

E.2.2 SCR split by risk

The aggregate SCR split by Standard Formula risk modules is provided in Appendix 2 - QRT S.25.01.21.

E.2.3 Standard formula simplifications

Standard Formula simplifications are not used.

E.2.4 Standard formula undertaking specific parameters

Standard Formula undertaking specific parameters (USPs) are not used.

E.2.5 Capital add-on and undertaking specific parameters non-disclosure

No capital add-ons were in place during the reporting period. USPs are not utilised.

E.2.6 Capital add-on and undertaking specific parameters impact

No capital add-ons were in place during the reporting period. USPs are not utilised.

E.2.7 MCR calculation inputs

The Solvency II MCR is the lower threshold on the "ladder of regulatory intervention" and was originally calibrated to provide an 85% probability of capital adequacy over the one-year horizon. Bounded between 25% and 45% of the latest calculated SCR it represents the absolute minimum capital required under the Solvency II Directive.

Capital eligibility for the MCR is restricted beyond the restrictions applied to the SCR, see Section E.1.4.

The principal inputs to the MCR calculation are net technical provisions and net written premiums by Solvency II line of business.

E.2.8 Movements in the SCR and MCR

E.2.8.1 Movements in the SCR

The SCR has increased over the year, driven predominantly by the inclusion of a super large loss provision in the SII balance sheet (€177m) and an increase in underwriting risk reflecting the increased retention of business in the Company following the change in cession rate from 83% to 80%.

E.2.8.2 Movements in the MCR

The movement in MCR over the year is driven by the increase in the SCR given that the Company's MCR is bounded by the 25% limit described in Section E.2.7 above.

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

The duration-based equity risk sub-module is not used.

E.4 Differences between the standard formula and any internal model used

The Company has elected to use the Standard Formula to calculate its SCR.

E.5 Non-compliance with the MCR and non-compliance with the SCR

RSAL has been fully compliant with the SCR and the MCR during the reporting period.

E.6 Any other information

Nothing to report.

Appendix 1. Abbreviations and Terms used in this Report

Abbreviation	Description
AOF	Ancillary Own Funds
BBNI	Bound But Not Incepted
BRC	Board Risk Committee
The Board	The Board of Directors of RSA Luxembourg S.A.
The Board of Directors	The Board of Directors of RSA Luxembourg S.A.
CAA	Commissariat aux Assurances
CAS	Corporate Audit Services
CAT	Catastrophe
CFO	Chief Financial Officer
CRO	Chief Risk Officer
Company	RSA Luxembourg S.A.
C&E	Construction & Engineering
DA	Dirigeant Agréé
DAC	Deferred Acquisition Costs
DAF	Delegated Authority Framework
EIOPA	European Insurance and Occupational Pensions Authority
ENIDs	Events Not In Data
EPIFP	Expected Profit in Future Premiums
ERC	Enterprise Risk Committee
ERM	Enterprise Risk Management
EU	European Union
FCA	Financial Conduct Authority
F&P	Fitness and Propriety
GL Valuation	EIOPA-BoS-15/113 EN Guidelines on recognition and valuation of assets and liabilities other than technical provisions
the Group	The Group headed by Intact Financial Corporation
IAS	International Accounting Standards

Abbreviation	Description
ICS	Internal Control System
IELR	Initial Expected Loss Ratio
IFC	Intact Financial Corporation
IFRS	International Financial Reporting Standards
IOCR	Insurance Operations Credit Risk
KPIs	Key Performance Indicators
KRIs	Key Risk Indicators
LCO	Legal and Compliance Officer
Lux GAAP	Luxembourg Generally Accepted Accounting Practice
MA	Matching Adjustment
MCR	Minimum Capital Requirement
MD	Managing Director
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority
Parent	Royal & Sun Alliance Insurance Limited
QRT	Quantitative Reporting Template
QRT LOG	Guidance as extracted from Solvency II Implementing Technical Standard on reporting – Regulation 2023/894 and Solvency II Implementing Technical Standard on public disclosure – Regulation 2023/895
RAG rating	Red-Amber-Green rating
RAS	Risk Appetite Statement
RIG B.V.	Royal Insurance Global B.V.
RMS	Risk Management System
RSA	The subgroup headed by RSA Insurance Group Limited
RSAI	Royal & Sun Alliance Insurance Limited
RSAIG	RSA Insurance Group Limited
RSAL	RSA Luxembourg S.A.
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II
SPV	A distinct legal company used to transfer financial or underwriting risk
UK&I	UK & International

Abbreviation	Description
UPR	Unearned Premium Reserve
USPs	Undertaking Specific Parameters
VA	Volatility Adjustment

The terms financial statement, statement of financial position, income statement, profit and loss account and other comprehensive income used in this report refer to information presented in the Annual Reports and Accounts for the Company.

Appendix 2. Quantitative Reporting Templates (QRTs)

The Company is required to disclose the following templates as set out in the Commission Implementing Regulation (EU) 2023/894 of 4 April 2023 laying down implementing technical standards for the application of Directive 2009/138/EC of the European Parliament and the Council with regard to the templates for the submission by insurance and reinsurance undertakings to their supervisory authorities of information necessary for their supervision and repealing Implementing Regulation (EU) 2015/2450.

Template Code	Template Name
S.02.01.02	Balance sheet
S.04.05.21	Activity by country - location of risk
S.05.01.02	Premiums, claims and expenses by line of business
S.17.01.02	Non-life technical provisions
S.19.01.21	Non-life insurance claims
S.22.01.21	Impact of long term guarantees and transitional measures
S.23.01.01	Own funds
S.25.01.21	Solvency capital requirement - for undertakings on Standard Formula
S.28.01.01	Minimum capital requirement - only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	3,083
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	6,026
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	69,077
R0080	*Property (other than for own use)*	
R0090	*Holdings in related undertakings, including participations*	
R0100	*Equities*	
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	53,900
R0140	*Government Bonds*	18,183
R0150	*Corporate Bonds*	35,717
R0160	*Structured notes*	
R0170	*Collateralised securities*	
R0180	*Collective Investments Undertakings*	15,177
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	
R0210	*Other investments*	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	
R0240	*Loans on policies*	
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	673,608
R0280	*Non-life and health similar to non-life*	673,608
R0290	*Non-life excluding health*	673,608
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	18,809
R0370	Reinsurance receivables	55,906
R0380	Receivables (trade, not insurance)	61,073
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	36,390
R0420	Any other assets, not elsewhere shown	1,003
R0500	**Total assets**	924,975

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	750,572
R0520	*Technical provisions - non-life (excluding health)*	750,572
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	740,591
R0550	*Risk margin*	9,981
R0560	*Technical provisions - health (similar to non-life)*	
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	
R0610	*Technical provisions - health (similar to life)*	
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	411
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	46
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	13,749
R0830	Reinsurance payables	38,759
R0840	Payables (trade, not insurance)	12,844
R0850	Subordinated liabilities	
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	
R0880	Any other liabilities, not elsewhere shown	11,736
R0900	**Total liabilities**	828,117
R1000	**Excess of assets over liabilities**	96,858

S.04.05.21

Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

		Home Country	Top 5 countries (by amount of gross premiums written): non-life				
R0010			FR	ES	NL	GB	BE
		C0010	C0020	C0021	C0022	C0023	C0024
	Premiums written (gross)						
R0020	Gross Written Premium (direct)	787	109,437	96,440	84,135	0	45,839
R0021	Gross Written Premium (proportional reinsurance)	0	0	0	0	62,044	0
R0022	Gross Written Premium (non-proportional reinsurance)	0	0	0	0	0	0
	Premiums earned (gross)						
R0030	Gross Earned Premium (direct)	784	110,143	100,773	80,383	0	44,372
R0031	Gross Earned Premium (proportional reinsurance)	0	0	0	0	60,348	0
R0032	Gross Earned Premium (non-proportional reinsurance)	0	0	0	0	0	0
	Claims incurred (gross)						
R0040	Claims incurred (direct)	120	72,154	69,709	222,563	0	15,507
R0041	Claims incurred (proportional reinsurance)	0	0	0	0	47,330	0
R0042	Claims incurred (non-proportional reinsurance)	0	0	0	0	0	0
	Expenses incurred (gross)						
R0050	Gross Expenses Incurred (direct)	395	27,932	20,663	21,219	0	12,535
R0051	Gross Expenses Incurred (proportional reinsurance)	0	0	0	0	5,248	0
R0052	Gross Expenses Incurred (non-proportional reinsurance)	0	0	0	0	0	0

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		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	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						94,483	186,092	89,057				478					370,110
R0120	Gross - Proportional reinsurance accepted						4,962	57,039	14,730									76,731
R0130	Gross - Non-proportional reinsurance accepted																	
R0140	Reinsurers' share						82,145	211,372	88,520				478					382,515
R0200	Net						17,300	31,759	15,267									64,326
	Premiums earned																	
R0210	Gross - Direct Business						95,290	188,611	85,742				438					370,081
R0220	Gross - Proportional reinsurance accepted						5,163	54,960	15,069									75,192
R0230	Gross - Non-proportional reinsurance accepted																	
R0240	Reinsurers' share						83,555	213,560	85,845				438					383,398
R0300	Net						16,899	30,011	14,965									61,875
	Claims incurred																	
R0310	Gross - Direct Business						34,401	328,622	49,488				180					412,692
R0320	Gross - Proportional reinsurance accepted						1,636	43,061	10,044									54,741
R0330	Gross - Non-proportional reinsurance accepted																	
R0340	Reinsurers' share						26,659	348,168	46,390				180					421,398
R0400	Net						9,378	23,515	13,143									46,035
R0550	**Expenses incurred**						4,305	5,368	1,432				0					11,105
R1210	**Balance - other technical expenses/income**																	-4,938
R1300	**Total technical expenses**																	6,167

S.17.01.02
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-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	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**																	
R0050	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																	
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross						567	4,307	-3,974				113					1,012
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						5,870	7,069	2,267				93					15,299
R0150	**Net Best Estimate of Premium Provisions**						-5,303	-2,762	-6,242				20					-14,287
	Claims provisions																	
R0160	Gross						91,378	425,354	222,828				20					739,580
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						77,176	392,811	188,304				20					658,310
R0250	**Net Best Estimate of Claims Provisions**						14,202	32,543	34,524				0					81,269
R0260	**Total best estimate - gross**						91,945	429,661	218,854				132					740,592
R0270	**Total best estimate - net**						8,899	29,781	28,283				20					66,982
R0280	**Risk margin**						1,309	4,331	4,338				3					9,981
R0320	**Technical provisions - total**						93,254	433,992	223,192				135					750,573
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**						83,047	399,880	190,571				112					673,610
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**						10,207	34,112	32,620				23					76,963

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
		Development year												In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											1,010		1,010	1,010
R0160	-9	42,664	85,152	25,627	8,092	2,552	8,006	1,203	4,754	-1,650	26			26	176,427
R0170	-8	54,290	88,057	57,710	12,220	7,355	1,617	1,804	444	488				488	223,985
R0180	-7	30,842	92,544	48,372	14,477	8,300	9,718	3,284	819					819	208,354
R0190	-6	61,126	119,731	73,694	29,606	10,820	11,147	1,778						1,778	307,903
R0200	-5	46,373	156,842	51,697	21,317	7,773	10,833							10,833	294,836
R0210	-4	46,700	85,002	38,648	20,991	13,875								13,875	205,216
R0220	-3	27,091	75,322	23,905	34,330									34,330	160,648
R0230	-2	30,754	56,231	32,626										32,626	119,611
R0240	-1	25,853	68,440											68,440	94,293
R0250	0	30,577												30,577	30,577
R0260													Total	194,801	1,822,859

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
		Development year												Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											14,391		13,619
R0160	-9	0	0	21,331	13,145	16,955	11,264	6,049	4,774	7,272	5,760			5,493
R0170	-8	0	111,221	34,548	17,305	8,644	8,354	4,767	9,057	8,336				8,029
R0180	-7	158,289	94,313	33,294	21,405	14,108	6,825	6,876	8,281					7,819
R0190	-6	189,568	165,292	49,851	27,930	19,186	20,960	16,848						15,935
R0200	-5	203,244	128,248	60,570	41,731	42,987	39,413							37,266
R0210	-4	148,293	139,664	63,670	54,009	35,112								33,278
R0220	-3	174,493	142,037	85,759	71,873									68,001
R0230	-2	179,990	99,283	74,499										70,669
R0240	-1	167,762	137,898											132,526
R0250	0	359,078												347,019
R0260													Total	739,655

S.22.01.21

Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	Technical provisions	750,573	0	0	2,715	0
R0020	Basic own funds	96,858	0	0	-304	0
R0050	Eligible own funds to meet Solvency Capital Requirement	131,858	0	0	-304	0
R0090	Solvency Capital Requirement	90,357	0	0	0	0
R0100	Eligible own funds to meet Minimum Capital Requirement	93,775	0	0	-349	0
R0110	Minimum Capital Requirement	22,589	0	0	0	0

S.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	50	50			
R0030	Share premium account related to ordinary share capital	90,747	90,747			
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings					
R0050	Subordinated mutual member accounts					
R0070	Surplus funds					
R0090	Preference shares					
R0110	Share premium account related to preference shares					
R0130	Reconciliation reserve	2,978	2,978			
R0140	Subordinated liabilities					
R0160	An amount equal to the value of net deferred tax assets	3,083				3,083
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above					
R0220	**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**					
R0230	**Deductions for participations in financial and credit institutions**					
R0290	**Total basic own funds after deductions**	96,858	93,775			3,083
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	35,000			35,000	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
R0320	Unpaid and uncalled preference shares callable on demand					
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0390	Other ancillary own funds					
R0400	**Total ancillary own funds**	35,000			35,000	
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	131,858	93,775		35,000	3,083
R0510	Total available own funds to meet the MCR	93,775	93,775			
R0540	Total eligible own funds to meet the SCR	131,858	93,775		35,000	3,083
R0550	Total eligible own funds to meet the MCR	93,775	93,775			
R0580	**SCR**	90,357				
R0600	**MCR**	22,589				
R0620	**Ratio of Eligible own funds to SCR**	145.93%				
R0640	**Ratio of Eligible own funds to MCR**	415.13%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	96,858
R0710	Own shares (held directly and indirectly)	
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	93,880
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	2,978
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	20,820
R0790	**Total Expected profits included in future premiums (EPIFP)**	20,820

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	4,930		
R0020	Counterparty default risk	41,901		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	36,467		
R0060	Diversification	-13,793		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	69,506		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	20,852
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	90,357
R0210	Capital add-ons already set	0
R0211	*of which, capital add-ons already set - Article 37 (1) Type a*	0
R0212	*of which, capital add-ons already set - Article 37 (1) Type b*	0
R0213	*of which, capital add-ons already set - Article 37 (1) Type c*	0
R0214	*of which, capital add-ons already set - Article 37 (1) Type d*	0
R0220	**Solvency capital requirement**	90,357
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	90,357
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

		Yes/No
	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

		LAC DT
	Calculation of loss absorbing capacity of deferred taxes	C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	13,437

		Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance		
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance		
R0060	Other motor insurance and proportional reinsurance		
R0070	Marine, aviation and transport insurance and proportional reinsurance	8,899	17,300
R0080	Fire and other damage to property insurance and proportional reinsurance	29,781	31,759
R0090	General liability insurance and proportional reinsurance	28,283	15,267
R0100	Credit and suretyship insurance and proportional reinsurance		
R0110	Legal expenses insurance and proportional reinsurance		
R0120	Assistance and proportional reinsurance		
R0130	Miscellaneous financial loss insurance and proportional reinsurance	20	
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance		
R0160	Non-proportional marine, aviation and transport reinsurance		
R0170	Non-proportional property reinsurance		

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	

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

	Overall MCR calculation	C0070
R0300	Linear MCR	13,437
R0310	SCR	90,357
R0320	MCR cap	40,661
R0330	MCR floor	22,589
R0340	Combined MCR	22,589
R0350	Absolute floor of the MCR	4,000
R0400	**Minimum Capital Requirement**	22,589