



# Endurance Worldwide Insurance Limited

## **Solvency and Financial Condition Report**

For the year ended 31 December 2022



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## **Summary**

The Solvency and Financial Condition Report (“SFCR”) is an element of the improved disclosure and reporting introduced under Solvency II, intended to strengthen market discipline for insurers and provide stakeholders with additional information over and above that contained in the annual financial statements. The purpose of the SFCR is to provide an understanding of the business and performance of the Company, its system of governance, risk profile, valuation for solvency purposes and capital management.

## **Basis of preparation**

The SFCR has been prepared in compliance with Commission delegated regulation (EU) 2015/35 (“the Delegated Regulation”), being the applicable European Union regulation, currently retained as UK regulation, using the structure set out in annex XX of that document, and in accordance with the Guidelines on reporting and public disclosure (BoS-15/109) as issued by the European Insurance and Occupational Pensions Authority (“EIOPA”).

Quantitative information is prepared in US dollars, which is the presentational and functional currency of the Company and rounded to the nearest thousand. Rounding differences of +/- one unit can occur.

## Business and performance

Endurance Worldwide Insurance Limited (“the Company”) is a UK authorised insurer and a wholly owned subsidiary of Sompo International Holdings Ltd. (“SIH” or “Sompo International”), which is based in Bermuda. SIH operates centralised Actuarial, Investment Management, Reinsurance, Financial Accounting and IT functions that provide services for the Company. The ultimate parent entity is Sompo Holdings, Inc. (“Sompo Holdings”), a holding company headquartered in Japan and publicly traded on the Tokyo Stock Exchange. A Group structure chart is presented in Section A.

The Company has a diversified product offering across multiple lines of business. The most material lines include General liability and Fire and other damage to property representing 67.3% of total gross written premium. The Company operates on a global basis; the most material geographical areas using the Solvency II criteria for classification to country include the United Kingdom and the United States of America representing 70.6% of total gross written premium. The following key performance indicators are prepared under UK GAAP basis.

Amounts in USD’000 unless stated	31 Dec 2022	31 Dec 2021	Movement
Gross written premium	1,368,900	1,242,956	125,944
Net earned premiums	375,439	304,751	70,688
Net underwriting profit	128,222	86,628	41,594
Claims ratio	63.4%	69.2%	(5.8)%
Underwriting ratio	65.8%	71.6%	(5.8)%
Combined operating ratio	76.0%	84.1%	(8.1)%

The Company’s success continues to be driven by the core underwriting principles of proper selection, pricing and ongoing management of the addition of risks and new lines of business it accepts. During the year 2022, the Company has further strengthened its underwriting talent pool, including several senior hires, and has again achieved strong top line growth. Business volumes have continued to increase significantly during the year as renewals and new business have been more focused to the Company, following a decision to consolidate Sompo UK underwriting under one platform and the closure of 'Endurance at Lloyd's' Syndicate with effect from 1 January 2021. The Company will continue to consolidate its position and diversify further into new business areas while concentrating its efforts on achieving targeted growth within the insurance portfolio whilst maintaining a relatively stable portfolio of risks from its reinsurance operations.

Gross written premium increased by 10.1% from \$1,243.0m in 2021 to \$1,368.9m in 2022. The increase is predominately from the Insurance book where premium increased to \$1,139.2m from \$991.3m driven by a resilient renewal book, strong rate increases and new business across many classes, most significantly across Aviation, Energy, Property and Specialty Lines. The Reinsurance book decreased by \$22.0m to \$229.7m in 2022 due to challenging market conditions impacting renewal business across Specialty lines, more specifically Marine and Political risk lines.

The Company recorded a claims ratio of 63.4% (2021: 69.2%) for the year ended 31 December 2022, mainly driven by benign catastrophe (“CAT”) experience towards the end of 2022. Significant CAT losses during the year include Hurricane Ian (\$22.7m net) and the US Winter Storm Elliot (\$2.3m net). The Company continues to benefit from its outward reinsurance program to manage exposure to such losses. The impact of COVID-19 remains minimal with immaterial development in the year resulting in a net loss of \$1.7m in 2022.

The Company generated an underwriting profit of \$128.2m for the year (2021: \$86.6m), representing a combined ratio of 76.0% (2021: 84.1%). The results for the year show a loss on ordinary activities before tax of \$(40.9)m (2021: \$45.4m profit), primarily driven by unrealised losses on investments of \$(108.0)m (2021: \$(26.5)m loss) but partially offset by investment income of \$26.7m (2021: \$15.9m). The increase in investment income in 2022 compared to the prior year was due to repricing of reinvestment yields, as interest rates rose significantly in 2022. The portfolio also experienced large influx of cash inflows in 2022, with approximately 30% increase in the book value. The unrealised investment losses in 2022 are as a result of negative mark-to market impact of interest rate rises. Total foreign exchange losses of \$(43.1)m arose from fluctuations in foreign exchange rates, more specifically Pounds Sterling and Euro against the US Dollar, which was notably higher than during 2021.

The global outbreak of COVID-19 in 2020 continues to challenge individuals, companies and governments across the world. Measures and strategies implemented since the outbreak have permitted the Company to carry out its business and perform its obligations to policyholders, counterparties and regulators, and the impacts from COVID-19 have not materially adversely affected its ability to do so.

On 24 February 2022, Russian armed forces launched a military offensive into Ukraine. The Company’s direct exposure to the war in Ukraine through its underwriting and investment portfolio has so far been limited. The Company is also closely monitoring the indirect impact of the conflict on the Company’s financial condition driven by the conflict’s contribution to the global inflationary and recessionary pressures, and the increased volatility in the financial markets.

Headline Consumer Prices Index (“CPI”) inflation in recent periods has been significantly higher than the long-run average between 2011-19, which has increased the level of uncertainty in our reserve estimates. In response to this increased uncertainty, the Company has built a bespoke inflation reserve model to estimate the potential impact of elevated inflation on the reserves. The model applies inflation forecasts for key claims drivers to future calendar year reserve payments by year and major portfolio. The results of this model have been contemplated in the Company’s year-end 2022 reserves.

In late September, early October 2022, Hurricane Ian brought significant wind damage and flooding to Western Cuba and the Southeast of the United States, recording a status as one of the costliest Storm’s on record. Despite this, the Company has mitigated any material impact through its robust reinsurance arrangements in place.

Further detail on the performance of the Company, including technical performance by Solvency II line of business and region and the investment performance, is reported in section A.

## **System of governance**

The Board of Directors is the governing body of the Company. The Board is responsible for the strategic oversight of the Company and for the establishment and maintenance of a governance environment. The Board is supported by four oversight committees; the Audit Committee, the Risk & Compliance Committee, the Remuneration Committee and the Nomination Committee.

The following four Key Functions have been identified as those that support the governance of the firm:

- An Actuarial Function which is responsible for the calculation of technical provisions, the appropriateness of the methods and assumptions used in the calculation of technical provisions, for the assessment of the data used in the calculation of technical provisions, for expressing various opinions as required by the Solvency II Directive, and for contributing to the effective implementation and operation of the Company's system of risk management. The Actuarial Function reports to the Audit Committee and the Board of the Company on a regular basis.
- An Internal Audit Function which is responsible for the evaluation of the adequacy and effectiveness of the Company's internal control system. The Internal Audit Function reports to the Audit Committee and the Board of the Company on a regular basis.
- A Compliance Function which is responsible for advising the Company on compliance with all relevant regulations and legislation to which the Company is subject; as well as for assessing and advising on the impact of any changes in such provisions on the operations of the Company, and for the identification and assessment of compliance and regulatory risk. The Compliance Function reports to the Risk & Compliance Committee and the Board of the Company on a regular basis.
- A Risk Management Function which is responsible for the implementation of the Company's system of risk management, as well as designing and developing the Company's risk register. The Risk Management Function reports to the Risk & Compliance Committee and the Board of the Company on a regular basis.

No material changes to the system of governance took place over the course of the reporting period. Further detail on the system of governance of the Company, including the risk management system and Own Risk and Solvency Assessment ("ORSA"), is reported in section B.

## **Risk profile**

The Company is exposed to a range of risks that arise out of its underwriting and investment activities as well as its general operations. As determined by the Standard Formula, insurance risk is the most material risk to the Company, with non-life underwriting risk identified as the predominant insurance risk. The comprehensive reinsurance in place

both for specific lines of business and across the whole account substantially limit the net loss potential from any single occurrence or aggregation of loss events.

Market risk and counterparty default are other significant risks for the Company, further detail on the current risk profile of the Company and related risk management techniques are reported in section C.

The risk profile and corresponding capital requirement for the Company increased during 2022 as the Company continues to grow.

## **Valuation for solvency purposes**

Solvency II provides an assessment of an insurance company's balance sheet based on the principle of market-consistent valuations. Essentially, this means that the value of assets and liabilities reflect the current value at which they could be traded in financial markets, rather than their UK GAAP accounting value.

Different approaches are required to determine market-consistent values of an insurance company's assets and liabilities. Some investment assets are traded in sufficiently liquid markets that provide readily available prices, which are generally taken to be market values. Assets not actively traded are fair valued using a Solvency II compliant model.

No such market generally exists for insurance liabilities, which are specific to the contract between the firm and the policyholder. Solvency II's interpretation of the market value of insurance liabilities requires insurers to forecast expected future liability cash flows and then discount them using risk-free interest rates of an appropriate maturity, to arrive at a 'best estimate'. A 'risk margin' is added to this best estimate in order to produce a market-consistent value.

The transitional arrangements related to risk-free interest rate-term structure and deductions referred to in Article 308c of Directive 2009/138/EC are not applied in the calculation of technical provisions.

Further detail on Solvency II valuation methods is reported in section D.

## **Capital management**

The Company applies the Standard Formula, a standardised calculation method prescribed in the Delegated Regulation, to calculate its Solvency Capital Requirement ("SCR"), which is a quantity of capital that is intended to provide protection against unexpected losses over the following year up to a 99.5% confidence level. The Standard Formula follows a modular approach where the overall risk which the Company is exposed to is divided into risk modules, and for each module a capital requirement is determined.

The Company has complied continuously with both the Minimum Capital Requirement ("MCR") and SCR throughout the reporting period.

Amounts in USD'000 unless stated	31 Dec 2022	31 Dec 2021	Movement
Eligible own funds to meet SCR	653,537	533,238	120,299
Eligible own funds to meet MCR	651,413	514,498	136,915
Solvency capital requirement	381,138	322,496	58,642
Minimum capital requirement	132,566	114,576	17,990
Ratio of own funds to SCR	171.5%	165.3%	6.0%
Ratio of own funds to MCR	491.4%	449.0%	42.0%

Eligible own funds have increased during the period by 22.6% whilst the SCR has increased by 18.2%. This has resulted in an increase in the Solvency ratio from 165.3% in 2021 to 171.5% in 2022. The primary driver of the increase in the SCR was the increased business volumes and technical reserves.

Own funds classified by tiers are as follows:

Amounts in USD'000	31 Dec 2022	31 Dec 2021	Movement
Tier 1	651,413	514,498	136,915
Tier 2	—	—	—
Tier 3	2,124	18,740	(16,616)
	<b>653,537</b>	<b>533,238</b>	<b>120,299</b>

Tier 1 own funds consists of ordinary share capital and share premium account relating to ordinary share capital of \$346.3m and \$311.9m respectively (2021: \$346.3m and \$261.9m) following a \$50.0m capital injection during 2022, and a reconciliation reserve deficit of (\$6.8)m (2021: (\$93.7)m). These basic own fund items are immediately available to absorb losses and have no duration restrictions. The reconciliation reserve consists of excess of assets over liabilities, after the deduction of basic own funds items.

Tier 3 own funds consists of an amount equal to the value of net deferred tax assets.

All Tier 1 own funds are eligible to cover the MCR and all own funds are eligible to cover the SCR.

Further detail on capital management is reported in section E.



## **A. Business and Performance**

### **A.1 Business**

#### **A.1.1 Name and legal form**

The Company is a limited liability company incorporated in England.

The Company is fully owned by its immediate parent company, Endurance Worldwide Holdings Limited (“EWHL”) incorporated in London, England. The ultimate parent entity is Sompo Holdings, Inc. (“Sompo Holdings”), a holding company headquartered in Japan and publicly traded on the Tokyo Stock Exchange.

#### **A.1.2 Supervisory authority and group supervisor**

The Company is supervised by both the PRA and the Financial Conduct Authority (“FCA”). Their respective contact details are:

Prudential Regulation Authority  
20 Moorgate  
London EC2R 6DA  
United Kingdom  
+44 20 3461 7000  
PRA.FirmEnquiries@bankofengland.co.uk

Financial Conduct Authority Bank of England  
12 Endeavour Square,  
London E20 1JN  
United Kingdom

SIH's Group supervisor is:

The Bermuda Monetary Authority  
BMA House  
43 Victoria Street  
Hamilton HMJX  
Bermuda  
+ 441 295 5278  
insuranceinfo@bma.bm

Sompo Holdings' group supervisor is:

Japan Financial Services Agency  
 3-2-1 Kasumigaseki Chiyodaku Tokyo, 100-8967  
 Japan  
 +81-(0)3-3506-6000  
 equestion@fsa.go.jp

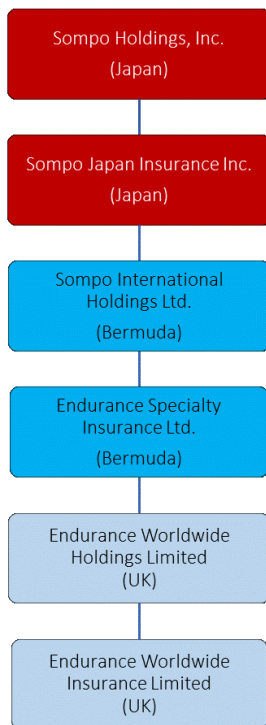
**A.1.3 External auditor**

Ernst & Young LLP  
 25 Churchill Place  
 London E14 5EY  
 United Kingdom

**A.1.4 Group structure**

Sompo Holdings operates worldwide and is publicly traded on the Tokyo Stock Exchange. The Company is a fully owned member of a sub-group (Sompo International Holdings Ltd, "SIH") which at 31 December 2022 wrote insurance and reinsurance business through its 22 operating subsidiaries domiciled in and across North America, South America, Europe and Asia. Figure A.1.5 below depicts an abridged structure chart for the relevant UK legal entities and their position within the wider Group.

Fig. A.1.5



### A.1.5 Material lines of business and material geographical areas

The Company has a diversified product offering, across multiple lines of business. The following table sets out the gross premiums written by material Solvency II line of business.

Amounts in USD'000	31 Dec 2022	31 Dec 2021	Movement
Fire and other damage to property insurance	486,810	467,071	19,739
General liability insurance	434,807	389,210	45,597
Marine, aviation and transport insurance	202,655	153,214	49,441
Non-proportional casualty reinsurance	128,577	115,867	12,710
Credit and surety insurance	79,074	73,266	5,808
Other	36,977	44,328	(7,351)
	<b>1,368,900</b>	<b>1,242,956</b>	<b>125,944</b>

The Company operates on a global basis; the following table sets out the gross premiums written by material geographical area using the Solvency II criteria for classification to country.

Amounts in USD'000	31 Dec 2022	31 Dec 2021	Movement
United Kingdom	590,532	585,052	5,480
United States of America	376,949	316,318	60,631
Canada	79,624	31,592	48,032
Australia	43,051	22,615	20,436
Switzerland	21,130	18,114	3,016
Mexico	17,888	15,118	2,770
Other	239,726	254,147	(14,421)
	<b>1,368,900</b>	<b>1,242,956</b>	<b>125,944</b>

### A.1.6 Significant events during the reporting period

The following significant events occurred during the reporting period:

- On 24 February 2022, Russian armed forces launched a military offensive into Ukraine. The Company's direct exposure to the war in Ukraine through its underwriting and investment portfolio has so far been limited. The Company is also closely monitoring the indirect impact of the conflict on the Company's financial condition driven by the conflict's contribution to the global inflationary and recessionary pressures, and the increased volatility in the financial markets.
- On 28 October 2022 the Board of Directors of the Company passed written resolution for a USD \$50.0m capital contribution from its parent Endurance Worldwide Holdings Limited in exchange for the issuance of one share in the Company.
- Headline Consumer Prices Index ("CPI") inflation in recent periods has been significantly higher than the long-run average between 2011-19, which has increased the level of uncertainty in our reserve estimates. In response to this increased uncertainty, the Company has built a bespoke inflation reserve model to estimate the potential impact of elevated inflation on the reserves. The model applies inflation forecasts for key claims drivers to

future calendar year reserve payments by year and major portfolio. The results of this model have been contemplated in the Company's year-end 2022 reserves.

- In late September, early October 2022, Hurricane Ian brought significant wind damage and flooding to Western Cuba and the Southeast of the United States, recording a status as one of the costliest storms on record. Despite this, the Company has mitigated any material impact through its robust reinsurance arrangements in place.

## **A.2 Underwriting Performance**

During 2022, the gross written premium increased by 10.1% from \$1,243.0m in 2021 to \$1,368.9m in 2022. The increase in gross written premium is predominately from the Insurance business driven by a resilient renewal book, strong rate increases and new business across many classes as a result of Syndicate business transitioning to the Company with effect 1 January 2021. The Reinsurance portfolio decreased by 8.7% to \$229.7m mainly due to challenging market conditions impacting renewal business. The Reinsurance business is conducted mainly through the Zurich branch ("EWIZ") which offers reinsurance contracts to clients in Switzerland and abroad, with a focus on European business and clients within specialty lines. Reinsurance business is also conducted in the London operation with a focus on General Liability.

The majority of growth in gross written premiums on a solvency II line of business is from new business on the Marine, Aviation and Transport class (year on year increase of \$49.4m, General Liability class (year on year increase of \$45.6m), the Fire and Other Damage to Property class (year on year increase of \$19.7m), and the Non-proportional casualty reinsurance class (year on year increase of \$12.7m).

Net earned premiums have increased by \$70.7m. The Company continues to mitigate insurance risk via reinsurance arrangements, both internal and external, through a combination of facultative, excess of loss and quota share covers. This approach provides additional capacity for growth and thereby allows further diversification of risk, contributes towards the direct expenses associated with growing an insurance franchise, and supports expansion into profitable lines of business.

The underwriting result is \$128.2m for the year under UK GAAP, being earned premiums, less claims incurred, less acquisition costs, including change in deferred acquisition costs, all net of reinsurance. This differs to the presentation of the tables below prepared in accordance with the requirements of S.05.01, where administrative and investment management expenses have been included with "other expenses", resulting in a technical result of \$88.7m.

Amounts in USD'000	Direct and proportional				Non-proportional			31 Dec 2022
	Fire and other damage to property	General liability	Marine, aviation and transport	Other	Casualty	Property	Other	Total
Gross earned premium	478,029	405,437	176,264	83,028	122,196	11,622	10,846	1,287,422
Reinsurers' share	(359,095)	(277,212)	(122,280)	(60,739)	(74,571)	(10,162)	(7,925)	(911,984)
Net earned premium	118,934	128,225	53,984	22,289	47,625	1,460	2,921	375,438
Gross claims incurred	369,031	246,354	82,770	29,732	67,870	5,161	6,584	807,502
Reinsurers' share	(276,123)	(174,226)	(61,986)	(3,437)	(47,724)	(3,379)	(5,682)	(572,557)
Net claims incurred	92,908	72,128	20,784	26,295	20,146	1,782	902	234,945
Acquisition costs	1,524	5,036	2,585	2,252	(1,389)	(690)	(41)	9,277
Other expenses*	12,548	7,724	9,728	5,410	5,557	436	1,081	42,484
<b>Technical result</b>	<b>11,954</b>	<b>43,337</b>	<b>20,887</b>	<b>(11,668)</b>	<b>23,311</b>	<b>(68)</b>	<b>979</b>	<b>88,732</b>

\*The table above is consistent with the requirements of S.05.01, where claims management expenses are included within expenses under SII, whereas under UK GAAP they are included within net claims incurred.

Amounts in USD'000	Direct and proportional				Non-proportional			31 Dec 2021
	Fire and other damage to property	General liability	Marine, aviation and transport	Other	Casualty	Property	Other	Total
Gross earned premium	409,741	301,071	130,434	72,204	97,653	15,248	12,180	1,038,531
Reinsurers' share	(298,881)	(202,907)	(94,635)	(59,516)	(57,055)	(11,845)	(8,941)	(733,780)
Net earned premium	110,860	98,164	35,799	12,688	40,598	3,403	3,239	304,751
Gross claims incurred	246,023	188,584	42,551	27,912	69,799	10,402	6,101	591,372
Reinsurers' share	(167,011)	(123,774)	(40,584)	(22,071)	(38,406)	(8,355)	(4,412)	(404,613)
Net claims incurred	79,012	64,810	1,967	5,841	31,393	2,047	1,689	186,759
Acquisition costs	5,315	2,005	619	1,114	(1,219)	(382)	(120)	7,332
Other expenses*	16,205	11,358	8,125	2,047	6,723	85	996	45,539
<b>Technical result</b>	<b>10,328</b>	<b>19,991</b>	<b>25,088</b>	<b>3,686</b>	<b>3,701</b>	<b>1,653</b>	<b>674</b>	<b>65,121</b>

\*The table above is consistent with the requirements of S.05.01, where claims management expenses are included within expenses under SII, whereas under UK GAAP they are included within net claims incurred.

The Company recorded a gross claims ratio of 63.4% (2021: 69.2%) for the year ended 31 December 2022, mainly driven by benign catastrophe (“CAT”) experience towards the end of 2022. Significant CAT losses during the year include Hurricane Ian (\$22.7m net) and the US Winter Storm Elliot (\$2.3m net). The Company continues to benefit from its outward reinsurance program to minimise these projected ultimate losses. The impact of COVID-19 remains

minimal with some adverse deterioration in the year of \$1.7m (net). The gross acquisition ratio at 16.2% is stable compared to prior year. The net acquisition ratio has increased marginally from 2.4% in 2021 to 2.5% in 2022.

General and administrative expenses have slightly decreased to \$38.0m (2021: \$38.2m) broadly aligned with prior year. Ceding commissions included within general and administrative expenses remain consistent and proportionally in line with 2021.

Amounts in USD'000								31 Dec 2022
	United Kingdom	USA	Canada	Australia	Switzerland	Mexico	Other	Total
Gross earned premium	555,127	343,267	79,927	36,043	24,999	14,866	233,193	1,287,422
Reinsurers' share	(369,370)	(251,906)	(55,942)	(25,080)	(17,997)	(12,039)	(179,650)	(911,984)
Net earned premium	185,757	91,361	23,985	10,963	7,002	2,827	53,543	375,438
Gross claims incurred	323,717	273,136	36,061	21,845	22,914	3,360	126,469	807,502
Reinsurers' share	(214,818)	(203,974)	(25,990)	(15,753)	(19,105)	(2,728)	(90,189)	(572,557)
Net claims incurred	108,899	69,162	10,071	6,092	3,809	632	36,280	234,945
Total expenses*	19,689	16,243	6,026	2,061	1,118	262	6,362	51,761
<b>Technical result</b>	<b>57,169</b>	<b>5,956</b>	<b>7,888</b>	<b>2,810</b>	<b>2,075</b>	<b>1,933</b>	<b>10,901</b>	<b>88,732</b>

\*The table above is consistent with the requirements of S.05.02, where claims management expenses are included within expenses under SII, whereas under UK GAAP they are included within net claims incurred.

Amounts in USD'000								31 Dec 2021
	United Kingdom	USA	Brazil	Bermuda	Canada	Australia	Other	Total
Gross earned premium	499,445	282,728	28,653	8,775	12,819	13,295	192,816	1,038,531
Reinsurers' share	(328,737)	(208,960)	(24,457)	(6,340)	(9,216)	(9,588)	(146,482)	(733,780)
Net earned premium	170,708	73,768	4,196	2,435	3,603	3,707	46,334	304,751
Gross claims incurred	294,732	166,063	16,499	5,256	4,164	7,357	97,301	591,372
Reinsurers' share	(179,245)	(116,289)	(13,673)	(3,591)	(2,836)	(4,997)	(83,982)	(404,613)
Net claims incurred	115,487	49,774	2,826	1,665	1,328	2,360	13,319	186,759
Total expenses*	29,257	14,906	551	384	1,645	592	5,536	52,871
<b>Technical result</b>	<b>25,964</b>	<b>9,088</b>	<b>819</b>	<b>386</b>	<b>630</b>	<b>755</b>	<b>27,479</b>	<b>65,121</b>

\*The table above is consistent with the requirements of S.05.02, where claims management expenses are included within expenses under SII, whereas under UK GAAP they are included within net claims incurred.

The largest increase in gross earned premium in 2022 were seen across Canada, United Kingdom and the United States, with the Company's insurance premium base very much London Market centric as well as increased Group focus.

### A.3 Investment Performance

Net investment income increased by \$10.9m versus the prior year. The increase in net investment income is the result of significantly higher reinvestment yields on a larger portfolio as repricing of interest rates continue.

Amounts in USD'000 unless stated	31 Dec 2022	31 Dec 2021	Movement
Interest income – cash and deposits	1,035	139	896
Interest income – collateralised securities	8,817	5,874	2,943
Interest income – collective investments	100	2	98
Interest income – corporate bonds	14,151	9,467	4,684
Interest income – government bonds	3,985	4,298	(313)
Amortisation	(1,388)	(3,863)	2,475
Investment expenses	(1,537)	(1,621)	84
Net investment income	25,163	14,296	10,867
Ending portfolio market value	1,296,283	1,135,087	161,196
Ending book yield	2.65%	1.44%	1.21%

\*The details of investment income by asset category are consistent with the requirements of QRT S.09.01

Realised and unrealised investment gains and losses, including foreign exchange gains and losses, have deteriorated in the current year as follows:

Amounts in USD'000 unless stated	2022		2021	
	Realised	Unrealised	Realised	Unrealised
Gains/(losses) – cash and deposits	781	(4,221)	27	(172)
Gains/(losses) – collateralised securities	(2,160)	(32,987)	(5,614)	(2,221)
Gains/(losses) – collective investments	—	(1,740)	—	(1,263)
Gains/(losses) – corporate bonds	(9,220)	(74,654)	(940)	(16,466)
Gains/(losses) – government bonds	(5,758)	(24,305)	(2,324)	(7,426)
Gains/(losses) – derivatives	(3,907)	1,811	—	—
	<b>(20,264)</b>	<b>(136,096)</b>	<b>(8,851)</b>	<b>(27,548)</b>

\*The details of (un)realised gains and losses by asset category are consistent with the requirements of QRT S.09.01

There are no investment gains or losses recognised directly in equity.

#### A.3.1 Investments in securitisation

The Company held \$393.4m of securitised assets at 31 December 2022, 30.0% of the total investment portfolio (2021: \$229.9m, 20.0% of the total investment portfolio).

## **A.4 Performance of other activities**

Due to the strengthening of USD in the year (primarily against GBP and EUR), the Company recognised \$(43.1)m of foreign exchange losses in the year ended 31 December 2022 (\$8.2m foreign exchange gains for prior year ended 31 December 2021).

### **A.4.1 Leasing arrangements**

The Company is party to two 10-year operating leases for land and buildings. The first was entered into on 27 January 2015 and the second was entered into on 16 February 2018. The Company had the option to terminate both lease agreements from the break date of 16 February 2023 which it did not exercise.

These are valued differently under UK GAAP to Solvency II, please refer to Sections D.1 and D.3 for further details.

The Company is not party to any material financial lease arrangements.

## **A.5 Any other information**

There is nothing further to report regarding the business and performance of the Company.



## **B. System of Governance**

### **B.1 General information on the system of governance**

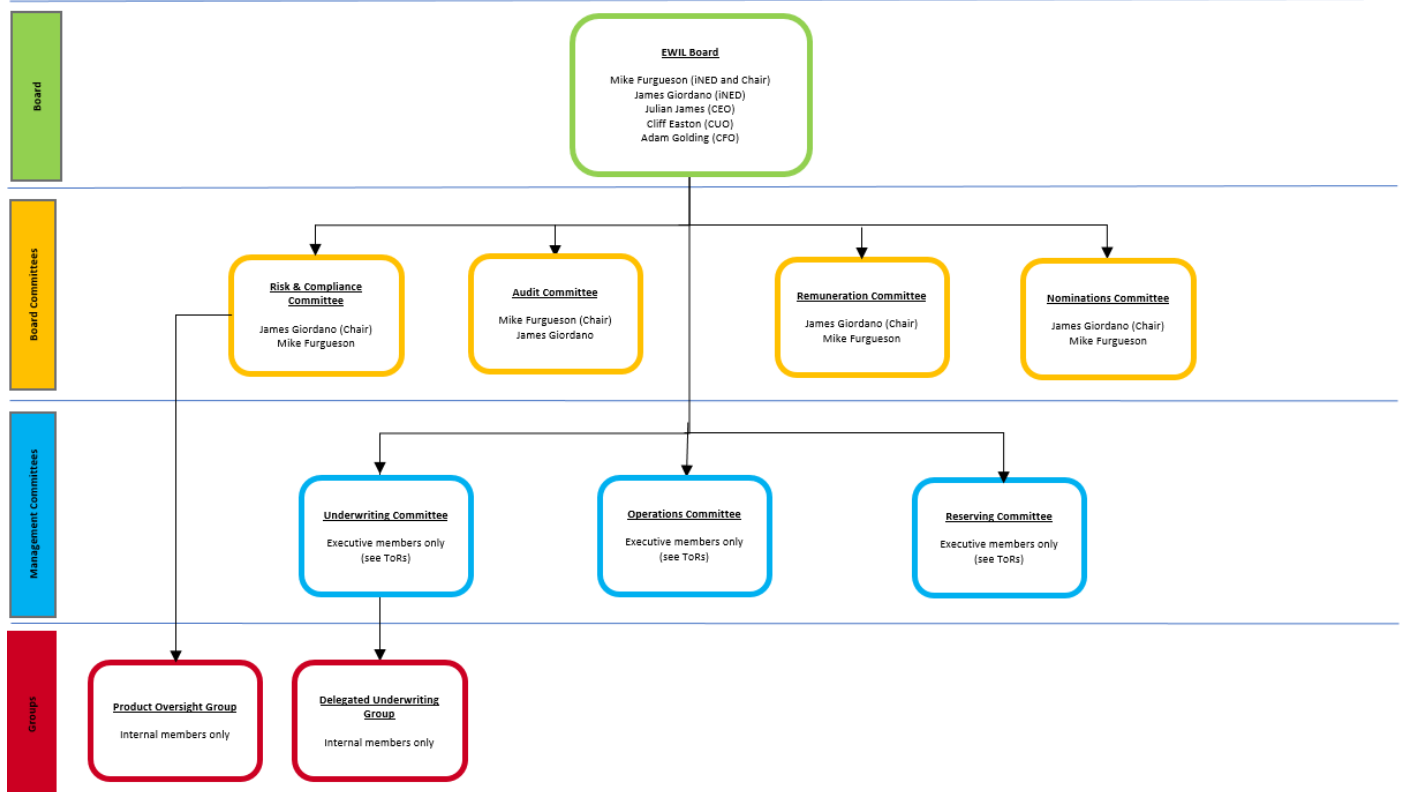
The Company adheres to high standards of corporate governance based on a framework and culture designed to ensure the responsible and effective management of the Company, its operations and to protect its customers.

The Board of Directors, which consists of both executive and non-executive directors, is the Company's governing body and has ultimate responsibility for the sound and prudent management of the Company. The Board is required to perform this role with integrity, due care, and professional skill. In addition to having responsibility for strategic oversight, the Board is responsible for the establishment and maintenance of a governance environment which meets the requirements and obligations of the Company's regulators and the legal framework in which the Company operates.

The Board has documented terms of reference in place, which includes a list of matters reserved to the Board. In addition, the Board is supported by four Board Committees:

- An Audit Committee, which is chaired by and includes non-executive directors and is responsible for oversight and challenge of the financial and internal controls of the Company and the integrity of statutory reporting and financial statements.
- A Risk & Compliance Committee, which is chaired by and includes non-executive directors and is responsible for the oversight of the Company's framework of risk management and compliance with regulatory requirements and expectations.
- The Remuneration Committee is responsible for oversight of the firm's remuneration arrangements including the adherence to regulatory requirements.
- The Nomination Committee is responsible for oversight of the firm's process for succession planning and the appointment of senior staff.

The Company has also established certain management committees, made up of executive management, which provide more granular oversight and review of the business and operations of the Company and which report to the Board. The Board and committee governance structure is as shown below.



### B.1.1 Key Functions

As required by articles 268 to 272 of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 ("the Delegated Regulation"), the following four Key Functions and associated reporting lines are incorporated into the Company's organisational structure. These Key Functions are provided with the necessary authority and resources to carry out their role by the Board of the Company and each are operationally independent.

- The Actuarial Function is responsible for the calculation of technical provisions, the appropriateness of the methods and assumptions used in the calculation of technical provisions, for the assessment of the data used in the calculation of technical provisions, for expressing various opinions as required by the Solvency II Directive, and for contributing to the effective implementation and operation of the Company's system of risk management in particular with respect to the risk modelling underlying the calculation of the SCR and MCR and to the Company's ORSA. The Actuarial Function reports to the Audit Committee and the Board of the Company on a regular basis.
- The Internal Audit Function is responsible for the evaluation of the adequacy and effectiveness of the Company's internal control system. The Internal Audit Function reports to the Audit Committee and the Board of the Company on a regular basis.

- The Compliance Function is responsible for advising the Company on compliance with all relevant regulations and legislation to which the Company is subject; as well as for assessing and advising on the impact of any changes in such provisions on the operations of the Company, and for the identification and assessment of compliance and regulatory risk. The Compliance Function reports to the Risk & Compliance Committee and the Board of the Company on a regular basis. Whilst the ultimate responsibility for compliance rests with the Board, day to day responsibility for the Compliance function is delegated to the Head of Compliance. However, in order for the Head of Compliance to be able to carry out this role, continuous access to all Board members is assured.
- The Risk Management Function is responsible for the implementation of the Company's system of risk management, including the development and maintenance of the Company's risk register. The Risk Management Function reports to the Risk & Compliance Committee and the Board of the Company on a regular basis. The Risk Function provides consolidated reporting to the Operations Committee and Risk & Compliance Committee of the Board, escalating any control gaps/issues identified by Risk Owners through the Risk & Control Self-Assessment ("RCSA") which expose the Company to unacceptable levels of operational risk.

Key Function Holders are required to adhere to the Fit and Proper policy, the details of which are described in section B.2.

## B.1.2 Remuneration policy

### *B.1.2.1 Remuneration Policies and Performance-based Criteria*

The compensation and performance based criteria currently in place for employees consists of four principal elements of compensation: base salary, annual incentive compensation, long-term incentive compensation, and employee benefits/other compensation.

Base salary is the guaranteed element of the employee's compensation structure and is paid to employees for ongoing performance throughout the year.

The annual incentive compensation program supports both the SIH Group's and the Company's strategy by linking a significant portion of its employees' total compensation to the achievement of critical business goals on an annual basis. All employees are eligible to earn annual incentive compensation, the annual target for the incentive program being dependent on the employee's level within the organisation.

The Company's Remuneration Committee along with the SIH Nomination & Compensation Committee (the "Committees") believe the inclusion of long-term incentive compensation in the SIH compensation structure fosters the appropriate perspective in management, given that the ultimate profitability of the insurance or reinsurance underwritten by SIH may not be fully known for many years. In addition, the Compensation Committee seeks to align the interests of SIH's employees with SIH's shareholders to the greatest extent practicable. Finally, long-term incentive compensation, which potentially is forfeited in the event of the departure of an employee from SIH, has the ability to retain valuable

executive talent within the organisation. Each of the Senior Executive Officers, Senior Vice President and Executive Vice President level employees are eligible to earn long-term incentive compensation. The Company's Remuneration Policy also makes provision for variable remuneration payable to senior members of staff to comply with the expectations set down in Article 275 of the Solvency II Directive.

Annual incentive and long term incentive awards are discretionary and are based upon a combination of SIH, Company and employee performance. The incentive pools are set based on achieved SIH and Company performance against agreed objectives at the beginning of the performance year. The individual award is then determined based on individual performance.

Employees are offered a market driven core set of employee benefits in order to provide a reasonable level of financial support in the event of an employees' illness or injury and enhance productivity and job satisfaction through programs that focus on employees' health and well-being. In the Company, employees' basic benefits include private medical, private dental, private GP coverage, disability insurance, critical illness insurance and life insurance. All employees are automatically enrolled in the defined contribution Personal Retirement Savings Scheme.

Non-Executive Directors of the Company's Board of Directors are paid a fixed monthly fee for their services plus agreed expenses.

#### *B.1.2.2 Supplementary Pension and/or Early Retirement Schemes*

The Company does not have any supplementary pension programs or early retirement schemes for any of the members of its Board of Directors nor any of the senior executives.

#### **B.1.3 Material transactions during the reporting period with shareholders, persons who exercise a significant influence on the Company and with members of the board**

The Company did not have any material transactions in the reporting period with persons who exercise significant influence or senior executives other than those associated with the compensation arrangements previously disclosed.

The Company enters into transactions with other Sompo Holdings group entities in the normal course of business. The most material transactions are the reinsurance cessions to the Company's parent companies, Endurance Specialty Insurance Ltd ("ESIL") and Sompo Japan Insurance Inc. ("SJI").

The Company also has a Net Worth Agreement with ESIL which will enable the Company to maintain capital resources in an amount equal to 150% of the Company's Solvency Capital Requirement. The Net Worth Agreement also has a liquidity provision should the Company have insufficient funds to make a required payment for any valid claims under the policies issued by the Company and valid claims of financial creditors as they fall due for payment.

## **B.2 Fit and proper requirements**

There is a Fit and Proper policy to which all members of the Board, Key Function Holders, and persons within and working on behalf of the Company who might from time to time be captured by the Fit and Proper requirements set out in the Directive must adhere. Additionally, certain members of staff are required to comply with the Conduct Standards and Conduct Rules set forth by the PRA and FCA respectively. These rules apply to a differing extent according to whether individuals have been identified as being Senior Managers or Certified Persons under the Senior Managers and Certification Regime or if they are deemed to not be performing a purely ancillary role (in which case they also have to comply with the Conduct Rules).

The Fit and Proper policy requires that where a person is captured by the Fit and Proper requirements that person must be assessed against the relevant fit and proper criteria applicable to the role including but not limited to honesty, integrity, reputation, competence, capability, and financial soundness.

The Fit and Proper policy (which is supplemented by the Senior Managers and Certification Regime Policy for relevant staff) requires that an annual assessment of a person's fitness and propriety (where such person is subject to the relevant requirements) should be carried out at the time of first recruitment and on a regular (at least annual) basis thereafter.

The policy states that:

- Persons (who are subject to the fit and proper requirements) should be assessed for the ability to carry out their role in compliance with relevant regulatory requirements, principles, and rules;
- Persons should be assessed for their competence, both in terms of management and technical ability;
- Persons should be subject to annual appraisal to ensure that all the key skills relating to the role remain at a suitable level; and
- Persons should be subject to a documented programme of professional development to ensure that they remain technically and professionally competent.

This annual assessment of an individual's fitness and propriety forms part of the ongoing annualised assessment of Senior Managers and Certified Persons that we are required to undertake as part of the Senior Managers and Certification Regime.

## **B.3 Risk management system including the Own Risk and Solvency Assessment**

### **B.3.1 Risk management strategy**

The Company's risk strategy is aligned to the business objectives of the Company. As a specialty (re)insurer operating in the international insurance and reinsurance marketplace it is central to the achievement of the Company's business objectives that it seeks insurance and investment risk through the specialty products that it underwrites, and the investments made with the assets of the business. In undertaking this activity the Company accepts exposure to other risks that it does not seek and for which it is not rewarded.

The principles underpinning the Company's risk management strategy include:

- The Company sees risk as more than just a potential for loss, but also as a potential for opportunity;
- The Company only seeks risks that it has the capabilities and expertise to understand and to manage;
- The Company only accepts risks it seeks that provide a level of reward commensurate with the risk assumed;
- The Company uses its people, systems, processes and controls to minimise its exposure to risks that it does not seek and for which it is not rewarded, subject to cost benefit considerations; and
- The Company defines the risk preferences and tolerances within which it will normally operate to achieve its business objectives.

The Company's approach to risk management is based upon the belief that risk management activity should be embedded across the business, leverage a diversity of skills, tools and people whilst being supported by a strong culture of risk awareness and engagement. In particular, the risk management system is designed to support the successful execution of the Company's business strategy by aligning the risk appetite to business objectives and inculcating a risk management culture that influences decisions from board level through to individual employees.

Risk management responsibilities are clearly defined across the company and are segregated across three 'lines of defence' that vary in the level of independence they have from the day-to-day running of the organization, specifically:

- The first line of defence, business risk management, describes the infrastructure of processes, systems and controls owned by members of the business charged with responsibility for day-to-day operations. Ownership for each of the identified business risks is allocated to an appropriate member of the management team who is responsible for the design and operating effectiveness of the associated control framework in place to manage risk.
- The second line of defence, risk management, describes the risk oversight activity, encompassing risk assessment, monitoring and reporting, undertaken by the both the Risk and Compliance functions. Specific attention is given to monitoring how the risk profile of the Company compares to the Board approved appetite statements regarding risk preference and tolerance. The risk function may provide support and guidance to the first line with respect to the design of their control framework.
- The third line of defence, internal audit, describes the risk assurance work done independently of the operation of the business and the risk function to determine that controls are being operated adequately, risks assessed appropriately and that the risk management framework remains effective.

The Board has overall responsibility for approving the strategy and risk appetite of the Company at least annually. The Board has delegated responsibility for overseeing the risk management framework to the Risk & Compliance Committee which meets quarterly to receive reports and management information from the Chief Risk Officer who is responsible for the risk function.

The risk governance of the Company also benefits from group-level management committees and risk forums including the SIH Management Risk Committee, which is responsible for the implementation of the group-wide ERM framework, and its risk sub-committees; these are specialist groups responsible for the identification, assessment and management of specific drivers of risk across the enterprise.

### B.3.2 Risk management system

The risk management system of the Company encompasses the following key components: risk identification and assessment; interaction with the decision-making process; risk reporting; and the risk governance structure. The risk management system supports the business in monitoring strategy execution and also in informing decisions around the evolution of the strategy over time.

The risk management system operates in the following ways:

- I) Identify: The Company has a strong risk culture promoted by business leadership and supported by the remuneration structure. Risk is seen as more than just a potential for loss, but also as a potential for opportunity. A proactive approach to developing and maintaining risk awareness is built into the Company's processes and is an important consideration spanning the management of both the asset and liability sides of the balance sheet.
- II) Assess: The Company maintains a collaborative approach to assessing risk and performance, generating insight and preserving consistency by bringing an appropriate mix of disciplines, perspectives and tools together to address the challenges of quantifying risk and of understanding uncertainty. Underpinning this, the Company has established a robust framework for the development of risk intelligence internally, the acceptance of externally developed risk intelligence, and the on-going review and independent validation of utilised intelligence.
- III) Respond: The Company has established processes, systems and management information to embed risk and performance analytics in the decision-making framework across the business. Systems have been established to synthesize and deliver risk insight to the point of decision making whilst processes are maintained to ensure continued engagement between decision makers and analytics teams.
- IV) Monitor: The Board approves the policies, appetites and tolerances. A suite of risk management reports is provided to oversight and management committees to assist them in discharging their delegated oversight and decision-making responsibilities. The business implements a control environment which describes how the business should operate to remain within risk appetites and assigns individual accountability for identified risks and key business controls. The business implements a control environment which is designed to operate within defined risk appetites and assigns individual accountability for identified risks and key business controls, documented in the risk register.

The Company's internal audit function considers the risk management framework in the development of its audit universe and annual risk-based audit plan. In executing the audit plan a feedback loop exists where the recommendations arising from review of the control environment are considered by management and the risk function and, as appropriate, reflected in the risk register.

Training on the risk management framework and specifically risk appetites is provided to the Board, management and all staff, as appropriate, regularly.

### B.3.3 Risk appetite framework

The Company's operations are subject to risk appetite statements defining the boundaries within which the Company is expected to operate when pursuing its strategy and that enable management and the Board to focus on meaningful high-level targets at the intersection of strategy, risk and solvency.

Risk appetite statements are articulated at three different levels.

- The highest-level statements, "Risk Strategy Statements", describe the Company's risk preference and overarching risk objective.
- Associated with each of these statements is a series of "Board Level Risk Appetite Statements" which reference specific key risk indicators and for each define risk tolerances within which the risk profile would normally be expected to operate.
- Supplementing both the Risk Strategy Statements and Board Level Risk Appetite Statements are a series of "Management Level Monitoring Statements". These refer to more detailed specific metrics and associated tolerances/targets that business risk management (1st line) operate the business with reference to. These risk profile characteristics are overseen by the 2nd line, risk management, and deviations from specified tolerances/targets at this operational level are reported to the Board for discussion on an exception basis. Together these provide an objective basis for the ongoing assessment and monitoring of the risk profile that is linked to the objectives of the business. Supplementing both the Tier 1 and 2 risk appetite statements are a series of risk monitoring statements. These refer to specific metrics and associated tolerances/targets that business risk management (1st line) operate the business with reference to. These risk profile characteristics are overseen by the 2nd line, risk management, and deviations from specified tolerances/targets at this operational level are reported to the Board for discussion on an exception basis. The lines of defence are explained further in section B.4.

### B.3.4 Risk management responsibilities

The Board has overall responsibility for approving the strategy and risk appetite of the Company at least annually. The Board has delegated responsibility for overseeing the risk management framework to the Risk and Compliance Committee which meets quarterly to receive reports and management information from the Chief Risk Officer who is responsible for the risk function.

#### The Board of Directors - Governing Body

The Board has ultimately responsibility for the Company's risk management and approves this Risk Management Policy, including risk appetite statements and tolerances, at least annually.

#### Risk and Compliance Committee ("R&CC") - Oversight Body

The R&CC is responsible for the oversight of management within the Company. The R&CC also supervises the development and implementation of an organisation-wide approach to the identification, assessment, communication, and management of risk in a cost-effective manner.



The R&CC has appointed a Chairperson and meetings are attended by representatives from the Company's senior management and the SIH Commercial Chief Executive Officer.

#### Audit Committee - Oversight Body

The Audit Committee is responsible for the oversight of reviews conducted by the Internal Audit Function that are designed to provide management and the Audit Committee with assurance regarding the Company's risk management processes and internal control systems.

#### Management Committees / Body - Management Committee / Body

The Underwriting Committee is responsible for the oversight of the Company's underwriting processes, procedures and controls, approval of any amendments to underwriting policy and guidelines, and monitoring of the Company's risk exposures. The Operations Committee is responsible for, among other things, oversight of the day-to-day operations of the Company (e.g. claims handling, human resources, facilities), including the assessment and monitoring of operational risk.

### B.3.5 Own risk and solvency assessment process

The Company operates under the jurisdiction of the PRA which, under Solvency II Pillar 2, sets out the ORSA requirements. The ORSA requires the firm to assess all of the current and possible future risks it has within its business to determine the level of capital needed to mitigate these risks.

The Company conducts its ORSA each quarter to assist the Board in making strategic decisions. The reports are presented to the Risk & Compliance Committee and the Board of Directors quarterly, and approved for regulatory submission annually.

The ORSA process:

- Involves both a quantitative and qualitative evaluation of the Company's existing, strategic and emerging risks, including stress and scenario testing.
- Provides for the regular determination of the Company's current and future solvency position and the determination of the Own Funds necessary to ensure its capital needs are met at all times.
- Is appropriately evidenced, documented and described in the ORSA reporting that is prepared at least annually and reported to the Board.

The Board has ultimate responsibility for ensuring the ORSA process is executed in accordance with the ORSA policy. The risk management function has day-to-day responsibility for conducting the ORSA process and producing ORSA reporting with assistance from the actuarial and other supporting functions.

The ORSA process allows the Board to assess the current and potential future risks facing the Company to better understand the risk profile and to ensure that the Company is operating within its risk appetite and target solvency

requirements. The ORSA also informs Senior Management and the Board on the level of capital resources needed to support the business plan. The information provided within the ORSA guides any risk mitigation actions, reassessment of risk profile and strategy, and decisions with regards to capital management.

The Company has determined that the Solvency II Standard Formula, as approved by the PRA, which encompasses the primary drivers of risk exposure, is appropriate to use to calculate the required solvency capital needs. The Standard Formula employs a mathematical model that provides a risk-based framework to determine appropriate levels of capitalisation.

The Risk Management Function is responsible for conducting the quarterly ORSA process. The key business processes supporting the ORSA include: strategy reviews; business planning; the risk management framework; the stress and scenario testing framework and the technical provisioning process.

## **B.4 Internal control system**

Risk management responsibilities are clearly defined across the Company and are segregated across three 'lines of defence' that vary in the level of independence they have from the day-to-day running of the organisation, specifically:

- The first line of defence, business risk management, describes the infrastructure of processes, systems and controls owned by members of the business charged with responsibility for day-to-day operations. Ownership for each of the identified business risks is allocated to an appropriate member of the management team and subject to quarterly self-assessment.
- The second line of defence, risk management, describes the risk oversight activity, encompassing risk assessment, monitoring and reporting, undertaken by both the Risk and Compliance functions. Specific attention is given to monitoring how the risk profile of the Company compares to the Board approved appetite statements. The risk function will intervene directly in modifying and developing the internal control and risk systems utilised in the first line, as such the second line of defence cannot offer truly independent risk assurance to the Board.
- The third line of defence, internal audit, describes the risk assurance work done independently of the operation of the business and the risk function to determine that controls are being operated adequately, risks assessed appropriately and that the risk management framework remains effective.

The Risk Management Function operates within the second line of defence and is responsible for the following activities:

- a) To preserve financial soundness by
  - i. Assessing and monitoring on-going capital and reinsurance adequacy
  - ii. Advising the business on key risks and risk management strategies
  - iii. Maintaining compliance with prevailing risk management standards
- b) To maintain strategic focus and alignment by
  - i. Embedding a clear and specific statement of business strategy and objectives

- ii. Maintaining a proactive and creative approach to understanding and responding to threats over the strategic planning time horizon
  - iii. Maintaining statements of the business' risk appetite and embedding these across the decision-making system
- c) To support the execution of the business plan by
- i. Providing targeted and timely risk analytics to inform specific risk taking or risk mitigation decision making
  - ii. Monitoring control effectiveness and facilitate risk mitigation strategies and processes

The Compliance Function operates within the second line of defence and is responsible for ensuring business activities remain in accordance with prevailing regulatory requirements and minimum standard expectations. The activities of the Compliance Function are divided into the following strands of activity:

- Business advisory: ensuring that the Board, senior management, and staff of the Company are aware of the obligations and requirements imposed on them by the applicable regulatory regimes.
- Compliance monitoring: providing regular and prompt identification and assessment of compliance risk and the day-to-day operation of compliance tools, policies and procedures.
- Regulatory affairs: managing the relationship of the Company with its regulators.
- Complaints handling: administering and operating the complaints handling process for the Company on a day-to-day basis.
- Reporting on all of the above strands of activity to the Company's Board.

The Internal Audit Function acts as the third line of defence and conducts regular reviews of the Company's operations. Part of the scope of each audit is to review the relevant risks associated with the activities under audit, to test the internal controls and to provide findings to senior management, risk management and the Audit Committee. The feedback may include recommendations for changes to be made to the risk register, controls or processes.

## **B.5 Internal audit function**

The Internal Audit function's purpose is to help the Board and Executive Management to protect the assets, reputation and sustainability of the Company by challenging the effectiveness of the framework of controls which enable risk to be assessed and managed. It assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management and internal control. Internal Audit has a direct reporting line to the Audit Committee as part of their oversight role.

Internal Audit undertakes, objectively and independent from management, three principal activities:

- Assessing and reporting (to the Company and business unit audit and risk committees and to management as appropriate) on the effectiveness of the design and operation of the framework of controls which enable risk to be assessed and managed.

- Investigating and reporting on cases of suspected financial crime and employee fraud and malpractice.
- Undertaking designated advisory projects for management, provided that they do not threaten Internal Audit's actual or perceived independence from management.

At least annually, an internal audit plan will be submitted to senior management and the Audit Committee for review and approval. The internal audit plan is developed based on a prioritization of the audit universe using a risk-based method including the input of senior management and the Audit Committee. The plan is reviewed and adjusted, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved plan will be communicated to senior management and the Audit Committee through periodic activity reports.

A written report will be prepared and issued by the Deputy Chief Audit Executive ("CAE") or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee. The internal audit report will include management's response and corrective action to be taken along with a timetable for anticipated completion. Through a standardised process, internal audit will be responsible for monitoring and reporting on the status of open findings to the Audit Committee, verifying that the risks identified have been addressed by management.

The Deputy CAE will periodically report to senior management and the Audit Committee on internal audit's activities, purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, whistleblowing matters and other matters needed or requested by senior management and the Audit Committee.

### B.5.1 Independence

The independence of Internal Audit from day-to-day line management responsibility is fundamental to its ability to deliver an objective coverage of all parts of Sompo International. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditors' judgment. Internal Audit is not responsible for the management of risk or the implementation of an effective control framework. These areas are the responsibility of the Board and management.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. Internal Auditors must have an impartial, unbiased attitude and avoid any conflict of interest. The Deputy CAE will confirm to the Board, at least annually, the independence of internal audit.

## B.6 Actuarial function

The Company provides for an Actuarial Function as specified under Article 48 of the Solvency II Directive.

The roles and responsibilities of various stakeholders in terms of completing, reviewing and validating the tasks of the Actuarial Function are detailed below:

- Responsibility for coordinating the calculation of the technical provisions and all supporting analysis surrounding this process lies with the Actuarial Function Holder.
- The UK Chief Risk Officer has oversight of the risk management system, with contributions from the Actuarial Function.
- The Actuarial Function provides its independent opinion on the underwriting policy. The Chief Pricing Actuary is heavily involved in providing the input for review into this process.
- The Actuarial Function provides its independent opinion on the reinsurance policy. The Ceded Reinsurance Officer is heavily involved in providing the input for review into this process.

The Actuarial Function is made up of qualified individuals who have knowledge of actuarial and financial mathematics and who demonstrate their relevant experience with applicable professional and other standards. It operates in conjunction with multiple functions of the organization, in particular Risk Management, Underwriting, Finance, and Claims. The Actuarial Function is provided with the necessary authority to carry out its role by the Board and is operationally independent of the Company's other Key Functions. Additionally, the Actuarial Function has access to the necessary information systems and data sources to enable it to undertake the work required.

Solvency II requires the Actuarial Function to contribute towards the Risk Management processes in place at the Company. The EWIL Risk Management Framework is based upon the Three Lines of Defence ("LOD") model. A high-level structure is provided below:

### Risk Management Framework



As outlined, the CRO has oversight of the Actuarial Function's general contribution to the EWIL Risk Management framework. This is demonstrated in the EWIL Risk Register within the ORSA report, which defines the categories of key risks which the company faces and the individuals with overall responsibility for managing those risks (including members of the Actuarial Function).

## **Details on the contribution of the Actuarial Function towards the EWIL Risk Management Framework**

The EWIL Actuarial Function has input into the following wider areas of risk identification and management:

### 1. Risk Management

- The ORSA process – provision of reserving data and commentary to the CRO
- Support the development, monitoring, management and reporting of the company's reserve risk appetite and the monitoring of emerging risks.
- Attest quarterly to the design and operating effectiveness of all actuarial related processes and controls. Also support broader operational risk management oversight through the reporting and root cause analysis of any operational incidents or near-misses.
- The Actuarial Function develops reserve-related stress scenarios for input into various risk management processes including the ORSA.

### 2. Solvency Assessments

- Internal economic capital assessments e.g. supporting data provision and review for loss distributions and certain reserving parameters, particularly around reserve volatility.
- Provision of technical provisions output (including forecast technical provisions) to the capital modelling team; ensuring consistency with the technical provisions used as part of the internal model.
- Regulatory capital assessments e.g. provision of actual and forecast technical provisions and balance sheets.
- Stress and scenario testing.
- Strategic planning.
- Review of outputs generated by the Group Internal Model e.g. review of reserve risk results with Capital Modelling to understand movements.
- Discussion with Capital Modelling on assumptions being derived using the Group Internal Model (and applied in the Solvency II Technical Provisions) to ensure consistency of assumptions.

### 3. Reserving

- Provision of reserve performance information and metrics to the wider business audience e.g. Risk Function, underwriting teams.
- Supporting external actuaries in performing independent reviews of reserves for the purpose of Board assurance and audit.
- Preparation of memos/reports for the Board, Audit Committee and other committees as required, to inform management of reliability/adequacy of reserves and of any other reserving specific issues (on a GAAP and Solvency II basis).

## **B.7 Outsourcing**

The Company has established standards, processes, roles and responsibilities for its arrangement of services to be provided by unaffiliated third parties (“outsourcer providers”). Outsourcing arrangements are supported by individual contracts and/or service level agreements (“SLA’s”). Before an outsourcing arrangement is entered into, the Company assesses the impact of the proposed arrangement, including reviewing the qualifications of the service provider. For all material outsourcing arrangements based on the size and criticality of service, the Company applies the following due diligence and selection criteria:

- Formal reviews of the proposed outsourcing arrangements by the appropriate internal departments, including Legal;
- Request For Proposal (“RFP”) requirements provide that single source procurement may be permitted with the approval of Legal; and
- Reviews by requester and the key management personnel to ensure that no conflicts of interest exist in engaging the outsourcer.

The selection criteria process should be agreed in advance by the requester and other reviewing parties and should consider the following factors, among others:

- demonstrated quality (financial and technical abilities);
- specialised knowledge and resources;
- control framework;
- conflicts of interest;
- value-add services as differentiators;
- long-term viability and pricing;
- availability of an adequate Business Continuity Plan; and
- risks from outsourcing and mitigation.

Outsourcing arrangements that have cleared due diligence and met the appropriate selection criteria are reviewed to determine if an RFP is applicable. Where an RFP process is deemed appropriate, a reasonable number of competitive bids should be obtained to ensure quality services are being received at an appropriate price.

For any proposed outsourcing arrangement not subject to an RFP process, the requester must provide formal justification for single source procurement and obtain approval from Legal.

In all outsourcing situations where outsourcers will access the Company’s non-public information and/or systems, outsourcers will be required to sign a non-disclosure agreement.

The Company has defined key management personnel that are authorised to approve an outsourcing arrangement should the arrangement satisfy the due diligence and selection criteria. The key management personnel are recorded in the SIH

Group’s “Authorised Approvers” policy document and includes the requirements for adequate specifications for the services to be entered into.

A summary of critical functions/activities outsourced, and the jurisdiction in which the service providers are located, is below:

Service	Description	Jurisdiction
Policy administration*	Data Capture & Data Quality Control, for bound Policies, endorsements and Signed Line changes. Services also include report generation, audit support, file management and contract certainty checking.	India
Credit control and cash management*	Cash management and chasing, including reconciliation and ongoing reporting of aged debt and unallocated cash.	UK and India
Claims and claims administration*	Claims review and settlement (within authority) or referral, including regular reporting and update, based on lead / follow terms.	UK
Delegated underwriting services	Chasing, upload and storage of all Delegated Underwriting Bordereaux (premiums and claims) and reporting services. Also includes the utilisation of ‘BinderCloud’ third party software, from the outsourced service provider.	UK and India
Investment management and accounting	Portfolio management in line with Board approved investment strategy, report generation and creation of accounting entries.	USA
Payroll	Payroll processing and payment, report generation and payslip production.	UK and Switzerland
IT helpdesk	Telephone support covering desktop and mobile devices.	USA
Delegated underwriting & claims	Delegation of claims and/or underwriting/document issuance within strict parameters and overseen by the Delegated Authority team. These arrangements are deemed critical if above a certain size, or dealing with customers deemed to be high conduct risk.	Various
Cloud outsourcing	Infrastructure & data storage from Cloud service providers, deemed critical if in support of policy administration, claims, or core financial systems.	USA

*\*Direct insurance and facultative reinsurance only*

### Intragroup outsourcing arrangements

The Company has intragroup outsourcing arrangements in place that are governed by the Group Administrative Services Agreement. Intragroup outsourcing arrangements for the year ended 31 December 2022 primarily comprise of shared support services (including IT, finance, compliance, risk, HR and internal audit services) outsourced to service companies within the Group. These intragroup outsourcing arrangements are primarily based in the UK and the USA.

### **B.8 Any other information / summary**

The Company considers that its system of governance is appropriate for the nature, scale and complexity of the risks inherent in its business.

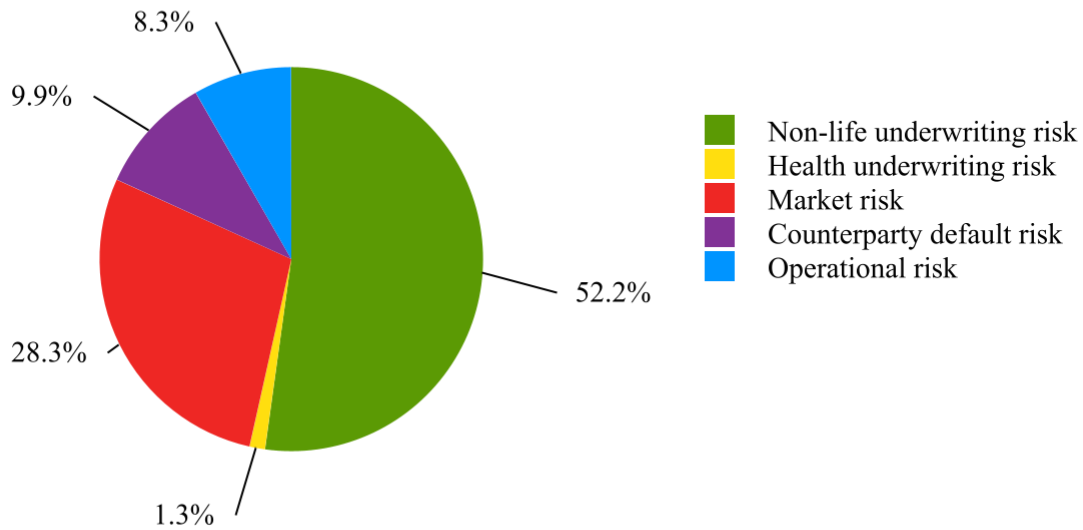


## C. Risk Profile

The Company is exposed to a range of risks that arise out of its underwriting and investment activities as well as its general operations. This section summarises the current risk profile of the business, and how the Company manages these risks.

The undiversified risk profile of the Company, as determined by the Standard Formula.

### UNDIVERSIFIED SOLVENCY CAPITAL REQUIREMENT BY RISK CATEGORY



## C.1 Underwriting Risk

The Company seeks risk through its (re)insurance underwriting activities to generate financial earnings. The main risks assumed through underwriting activity can be sub-divided into: pricing risk; accumulation risk; and reserve risk.

- **Pricing risk** is the risk of systematic mispricing which could arise due to changes in the legal or external environment, changes to the supply and demand of capital, and companies' using inadequate information to make decisions. This risk could affect multiple classes across a number of underwriting years.
- **Catastrophe risk** refers to the potential for large losses to arise from multiple independent insured policies as a result of a single cause. This definition applies to all classes of business written in all territories and includes both natural and manmade causes, for example: earthquakes, hurricanes, marine or aviation incidents, acts of terrorism, cyber events or systemic malpractice.
- **Reserve risk** describes the potential that provisions set aside to meet claims payments in respect of events that have occurred turn out to be inadequate. This risk is most pronounced for medium and long tailed business where the typical period between loss occurrence and ultimate claim settlement can be very long, in these cases unanticipated changes in the legal landscape (e.g. tort reform) or external conditions (e.g. inflation) can have a material impact on the adequacy of claims provisions. For short-tailed business reserve uncertainty can be significant immediately following a major event, however the typically shorter reporting and settlement periods mean this risk is unlikely to persist and compound over time.

The Company's approach to risk management for each of these is set out below.

### C.1.1 Approach to Risk Management

#### *Pricing Risk*

The Company uses a range of techniques to manage this risk as set out below:

- The Company recruits experienced underwriters with proven track-records and good standing in the market. Underwriting Letters of Authority ("LOA") are the primary tool for promulgating and implementing underwriting risk preferences and limits. As detailed in the underwriting policy, LOAs are issued to individual underwriters with concurrence from the Company's CEO and the respective CEOs of the Strategic Business Units the Company uses to underwrite its business. The LOAs document permitted lines of business, territories, maximum premium and exposure limits and the underwriters' responsibility towards the peer review process. The LOA also sets out any restrictions for classes of business or exposures that an underwriter is not permitted to underwrite. The LOAs are consistent with established underwriting strategy and guidelines and detail an underwriter's ability to legally bind contracts on behalf of the Company. LOAs contain effective and expiration dates and are reviewed periodically, at a minimum biannually, on an individual underwriter basis. The underwriting process is supported by pre- and post-bind peer reviews, as well as regular independent reviews, the framework and reporting of which is overseen by the Underwriting Committee.
- In addition to technical and analytical practices, underwriters use a variety of underwriting tools, including specific contract terms, to manage exposure to loss. These include occurrence limits, aggregate limits,

reinstatement provisions and loss ratio caps. Exclusions and terms and conditions to eliminate particular risks or exposures deemed outside of the intent of coverage are also considered.

- The Company has fully integrated its internal actuarial and modelling staff into the underwriting and decision-making process. The Company uses in-depth actuarial and risk analyses to evaluate transactions prior to authorisation, assessing and charting pricing changes and rate adequacy. In addition to internal actuaries and risk professionals, external specialists may also be used to provide support in developing and utilising robust risk intelligence to inform underwriting decisions.
- The Company has established a framework to enable the business to regularly assess and monitor performance drivers on a portfolio basis. The approach generates insight by integrating the analytics across a number of disciplines (including: pricing, reserving, claims, capital modelling and exposure management) and engaging with underwriting teams regularly to pro-actively monitor and respond to underwriting performance trends on both an absolute and risk adjusted basis. All large losses are notified to management and include underwriter commentary on the loss and underwriting response, if any.
- The claims team performs regular reviews of emerging claims trends and monitors changes in the legal landscape. The claims team meets with underwriting teams regularly to provide feedback on specific losses and identified trends to inform risk selection and coverage considerations.
- New business proposals, and/or opportunities that have a significant impact on the risk profile are subject to review and approval by the Underwriting Committee, including consideration of the fit of the proposal with business objectives, risk appetite and operational expertise and capabilities. Annually business plans for the Company are reported to the Board for discussion and approval.
- Annually the actuarial function provides an opinion to the Board on the adequacy of pricing levels reflected in the plan with due consideration to changes in the composition of the Company's portfolio, external influences, and the risks of anti-selection across the portfolio.
- Oversight of underwriting risk management is provided by the Board with day-to-day management responsibility delegated to the Underwriting Committee. The Underwriting Committee meets quarterly to receive management information and discharge its delegated oversight duties.
- Where the Company delegates underwriting authority either partially or fully to a third-party it is exposed to the risk that the related party fails to operate within agreed guidelines or to adequately price and/or reserve for the business. The Underwriting Committee is responsible for oversight of all delegated underwriting arrangements; the Committee is supported by a delegated underwriting group that meets quarterly to oversee delegated underwriting arrangement administration, processing and performance. Independent audits of delegated underwriting partners are performed regularly with findings reported to the Underwriting Committee.

### *Catastrophe Risk*

The Company uses a range of techniques to manage this risk as set out below:

- Underwriting Risk Guidelines are documented for each class of business, including maximum line sizes, accumulation limits for single events and risk preferences. The risk profile of each class of business is regularly

monitored against these guidelines. Material variations are reported to the relevant Committee where remediation actions are discussed.

- Referral Guidelines outline criteria for referring decisions to the Group Chief Risk Officer to ensure that risks or transactions potentially outside of Risk Appetite are suitably reviewed and approved.
- Ceded Reinsurance purchasing strategy is reviewed at least annually, with reference to the objectives of the business, Risk Appetite and prevailing market conditions or trading opportunities. Any changes to the strategy are reported to the Underwriting Committee prior to implementation. The Underwriting Committee reviews progress towards implementing the Ceded Reinsurance plan each quarter.
- Actuarial opinion is provided to the Board on the adequacy of Ceded Reinsurance arrangements with due consideration of the consistency with Risk Appetite, the ability to support solvency under stressed scenarios; and the standing and repute of counterparties.
- Proprietary and commercially available tools to quantify Catastrophe Risk are used to to inform underwriting risk selection, portfolio design, and portfolio risk management. Tools include natural catastrophe, weather, casualty, aviation, credit, economic and other specialty risk models as well as deterministic scenarios for individual events.
- The SIH Exposure Management function identifies, at least annually, all realistic foreseeable sources of catastrophe risk and ensures suitable quantification of potential exposure. In addition, this function produces regular reporting of Catastrophe Risk to oversight and governance Committees.
- An Economic Capital Model quantifies key drivers of Catastrophe Risk, their associated financial consequences across the business and the interdependencies of a wide range of scenarios of varying severities.
- Oversight of Catastrophe Risk Management is provided by the Risk & Compliance Committee with day-to-day responsibility delegated to the Underwriting Committee. The Underwriting Committee meets quarterly to receive management information, including monitoring catastrophe risk levels against approved risk limits.

### *Reserving Risk*

The Company uses a range of techniques to manage this risk as set out below:

- The actuarial function maintains a best estimate reserving process that integrates planning, pricing and exposure information to establish a feedback loop between the reserving and underwriting processes. At least annually each class of business (including delegated business) is subject to a detailed reserve review where actuarial and statistical techniques are used to derive loss reserve estimates from the most recently available data, as well as current information on future trends in claims severity and frequency, judicial theories of liability and other factors. The Actuarial Central Estimate ("ACE") Reserving team reviews and recommends any changes to key assumptions at least once each year. Proposals for changes in assumptions or for new assumptions relating to new reserve classes are reviewed by the Corporate reserving team ahead of each quarterly reserving exercise.
- The results of the actuarial reserve reviews are discussed regularly with underwriting leaders for each product line and are monitored against the GAAP booked reserve estimates to ensure that in the aggregate, across all

classes, booked reserves are considered adequate, as defined in the approved risk appetite. Additionally, the best estimates are compared against experience each quarter by undertaking an analysis of actual versus expected experience as well as other appropriate validations of assumptions, methodology, and results.

- In respect of individual claims and/or events where the potential for reserve development is material, reserve selections are informed by an update of the loss circumstances provided by the claims team. For large events the initial loss estimates are determined by the claims team with input from underwriting and exposure management as appropriate.
- Management Best Estimate ("MBE") Reserving Process: The quarterly booked reserves represent management's best estimate of the unpaid losses and expenses. Specifically, the MBE is defined as:
  - A point estimate selected after reviewing a range of reasonable actuarial estimates and other qualitative information deemed relevant for establishing booked reserves.
  - It incorporates risks, uncertainties, and other relevant information underlying the actuarial loss estimates; the historic volatility of the actuarial estimates and estimation error (e.g. as evidenced by longer tail lines and new exposures); and uncertainties regarding estimation of large catastrophe and systemic loss events.
  - It is within a range of reasonable estimates as defined by the Chief Reserving Actuary.
- The MBEs are recommended by the Corporate Reserving Team/Chief Reserving Actuary based on management's stated reserve risk appetite and specific discussions with management during the quarterly reserving process. The MBEs are reviewed and approved by the Group Reserve Committee ("GRC"). The GRC may choose to book MBE reserves that differ from the actuarial central estimate. Typically, the committee would do so for two reasons:
  - To add a margin for adverse deviation in cases where the actuarial analysis and experience period do not fully reflect potential risks of adverse deviation. For example, in some cases, the actuarial central estimate would not be a true mean, as it did not fully weigh in the possibility of these tail outcomes.
  - The loss reserve committee may want to temper favorable and unfavorable movements in actuarial indications until more evidence emerges. In many cases, this approach prevents the external perception of the company being unduly affected by volatility in actuarial indications.
- The proposed MBEs for the Company are discussed with the Company's senior management who provide additional feedback to the GRC reserve meeting. The following considerations are also taken into account when reviewing the proposed Group MBEs at a legal entity level:
  - Group and legal entity reserve risk frameworks which include specific guidance on MBE reserve levels (e.g. possibly in relation to the ACE indications).
  - Specific legal entity regulatory constraints.

- Any reserving considerations relating to the mix, volume or maturity of business within the legal entity.
- Oversight of loss reserves is provided by the Audit Committee, which meets quarterly to receive reserving information and discharge its oversight duties including monitoring reserve adequacy. Annually the actuarial function reports on the adequacy of loss provisions established both on a GAAP and economic basis through the Actuarial Function Holder Report provided to the Board.
- A reconciliation of the data used in the reserving process to the original sources is performed by the technical accounting departments of the Company. It includes a reconciliation of the earned premium, paid losses, and case incurred losses used in the reserve study to the data that is captured by the finance department. Differences are summarized in the cover memo produced by the Chief Reserving Actuary or an appropriate delegate. In addition, a number of reasonability checks are performed during the course of analysis and review of results with the business units, group reserve committee, and other parties.
- The reserve risk profile is monitored against approved risk appetite statements quarterly by the Risk & Compliance committee.

### C.1.2 Assessment of Risk

As determined by the Standard Formula, underwriting risk comprises 52.2% (2021: 57.7%) of the undiversified total SCR. Whilst the primary activity of the Company is to underwrite (re)insurance business, significant levels of outwards reinsurance protection serve to materially limit the contribution of this risk to the overall risk profile of the Company.

#### *Material Risk*

The Company's exposure to catastrophe risk is managed by comprehensive outwards reinsurance protections, including intragroup stop loss reinsurance. Retained underwriting risk primarily reflects exposure to pricing and reserve risk. The lines of business that are most exposed to these risks are reflected in the capital needs of the Company as defined by the Standard Formula. For the Company, these lines of business are:

- General liability insurance and proportional reinsurance;
- Marine, aviation and transport insurance and proportional reinsurance;
- Non-proportional casualty reinsurance; and
- Fire and other damage to property insurance and proportional reinsurance.

#### *Concentration Risk*

Concentration risk arises out of accumulation of exposures to geo-physical, geo-political, economic, technological, societal and environmental threats. The Company conducts annual risk assessments which review the current strategies for identifying and managing these risks. An objective of the risk assessment process is to highlight any increases in risk exposures as well as any deficiencies in the Company's strategies to address these risks over the planning horizon and beyond.

### C.1.3 Sensitivity of Risk

The Company carries out various sensitivity testing as part of its risk management process, and one such test involves gross and net impact to profit with increases to loss ratios of 10%, with all other assumptions held constant, to test the sensitivity of the loss ratio assumptions to the overall Company strategy.

Amounts in USD'000	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on profit	Impact on capital and reserves	% of Solvency II surplus
2022 Loss ratio	+10%	145,038	37,544	(37,544)	(30,410)	(11.12)%
2021 Loss ratio	+10%	144,738	30,475	(30,475)	(24,685)	(11.71)%

When considered alongside the Company's own funds (section E.1) and capital requirements (section E.2), this sensitivity test shows that the Company's capital base can withstand some level of systemic mispricing, but the tests highlight the importance of vigilant oversight of our underwriting controls. Nevertheless, the potential for loss ratio deterioration is limited by the intragroup stop-loss agreement with ESIL, which owns 100% of the Company's immediate parent holding company, EWHL.

Reserve risk sensitivity tests have been performed by the Company to assess the profit/loss impact of misestimation of reserve liabilities. These tests assess how the variability in the initial expected loss ratio ("IELR") and the variability in how quickly claims are reported impact the reserve estimation. The IELR was flexed up and down by 10% and the development profile was flexed slower and quicker (by 3 months for short-tailed lines and 6 months for long-tailed lines) sequentially, resulting in nine difference scenarios (including the base case of unchanged assumptions).

The results of these tests are as follows:

<b>Potential Percentage Change in Total Loss and Loss Expense Provisions</b>			
Initial Expected Loss Ratio			
<b>2022</b>			
<b>Reporting Pattern</b>	<b>10% Lower</b>	<b>Unchanged</b>	<b>10% Higher</b>
ST - 3 months faster			
LT - 6 months faster	(11.0)%	(5.3)%	0.3 %
Unchanged	(6.3)%	0.0 %	6.3 %
ST - 3 months slower			
LT - 6 months slower	(1.5)%	5.5 %	12.4 %
<b>2021</b>			
<b>Reporting Pattern</b>	<b>10% Lower</b>	<b>Unchanged</b>	<b>10% Higher</b>
ST - 3 months faster			
LT - 6 months faster	(9.4)%	(3.4)%	2.6 %
Unchanged	(6.4)%	0.0 %	6.4 %
ST - 3 months slower			
LT - 6 months slower	(2.5)%	4.5 %	11.5 %

The results show that in the most severe scenario above (10% higher IELR and slower reporting of losses), the Company expects an 12.4%, or \$123.0m, reserve increase. These tests are meant to show the sensitivity of the assumptions in the reserving method and, when considered alongside the Company's own funds (section E.1) and capital requirements (section E.2), the results show that the Company can withstand such fluctuation in the held reserves. However, it does highlight the need to be regimented with regards to reserve control processes.

The largest difference since year-end 2021 is the scenario 10% higher IELR and faster reporting of losses, with a 0.3% increase in reserves at the end of 2022 compared with at 2.6% increase at year end 2021.

Also note that the effect of the reporting pattern is becoming more important over time as the proportion of reserves on older years continues to grow.



## C.2 Market Risk

Market risk describes the Company's exposure to external influences on assets resulting in financial losses or gains from the level or volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as interest rates, currency exchange rates and market prices.

### C.2.1 Approach to Risk Management

The Company uses a range of techniques to manage this risk as set out below:

- The Company manages market risk through both a system of limits and a strategy to optimise the interaction of risks and opportunities, both of which are documented in an investment management policy. To ensure diversification of the investment portfolio and avoid excessive aggregation of risks, limits on asset types, economic sector exposure, industry exposure and individual security exposure are placed on the Company's investment portfolio and monitored on an ongoing basis.
- Investment policies and guidelines, including sector limits, impairment scenario loss tolerances and performance targets are approved by the Company Board with responsibility for oversight delegated to the Audit Committee. The risk profile of the Company's investment portfolio is monitored against approved risk limits and targets quarterly by the Risk & Compliance Committee.
- The Company uses a number of capital-at-risk models, which include scenario-based measures, value-at-risk and credit impairment calculations to evaluate its investment portfolio risk. Portfolio risk is affected by four primary risk factors: asset concentration, asset volatility, asset correlation and systematic risk. The Company continuously evaluates the applicability and relevance of the models used and makes adjustments as necessary to reflect actual market conditions and performance over time.
- The Company maintains an asset liability management strategy that involves the selection of investments with appropriate characteristics, such as duration, yield, currency and liquidity that are tailored to the anticipated cash outflow characteristics of our liabilities and the anticipated interest rate environment. Foreign currency risk is managed by seeking to match liabilities under insurance and reinsurance policies that are payable in foreign currencies with assets such as cash and investments that are denominated in such currencies.

#### *Prudent Persons Principle*

The investment strategy is reviewed by the Board, and implemented by the Investment Function, which hires third-party investment managers to invest the assets under the direction of the 'prudent person principle' aligned with the Investment Policy, and specific guidelines for each manager. A small percentage of assets are managed internally.

Prior to hiring an investment manager, a rigorous due diligence process is followed to ensure that the manager has the adequate skills, qualifications, experience and resources to carry out the duties that they have been delegated. The investment manager guidelines prescribe the types of securities that the manager may invest in and those that are prohibited. The guidelines also set individual issuer limits based on credit quality, as well as aggregate sector and credit

quality limits, ensuring adequate portfolio diversification. The investment manager is given a performance benchmark with appropriate sector exposures and duration to meet the needs of the Company.

### C.2.2 Assessment of Risk

As determined by the Standard Formula, market risk comprises 28.3% (2021: 21.4%) of the undiversified total SCR.

#### *Material Risk*

The Company's market risk charge is consistent with the significant amount of surplus capital it holds. Notwithstanding the high level of investable assets, the Company maintains a defensive investment portfolio and hence investment shock scenarios indicate only moderate impairments to the value of assets.

#### *Concentration Risk*

The Company is subject to concentration risk in its investments. In order to minimise its exposure to investment concentration risk, the Company has designed its investment portfolio to diversify risks to the extent practical, particularly with regard to interest rate, credit, structure and equity risks. To ensure diversification and to avoid excessive aggregation of risks, the Company has placed limits on asset types, economic sector exposure, industry exposure and individual security exposure which are monitored on an ongoing basis.

The table below shows the exposure of the Company's investment portfolio to asset types and currency:

Amounts in USD'000					2022					2021
	GBP	USD	EUR	AUD	Total	GBP	USD	EUR	AUD	Total
Collateralised securities	33,998	352,616	6,765	—	393,379	17,451	206,449	5,963	—	229,863
Government bonds	36,029	299,902	9,509	—	345,440	50,689	346,917	3,888	—	401,494
Corporate bonds	223,796	303,247	28,018	—	555,061	202,971	234,005	25,716	—	462,692
Derivative assets	—	—	—	1,814	1,814	—	—	—	—	—
Collective Investments Undertakings	—	—	—	1	1	—	—	—	39,303	39,303
Investment portfolio cash	(155)	836	(93)	—	588	131	1,498	106	—	1,735
<b>Total</b>	<b>293,668</b>	<b>956,601</b>	<b>44,199</b>	<b>1,815</b>	<b>1,296,283</b>	<b>271,242</b>	<b>788,869</b>	<b>35,673</b>	<b>39,303</b>	<b>1,135,087</b>

### C.2.3 Sensitivity of Risk

The majority of the Company's investments comprise cash and fixed income securities. The fair value of the Company's investments is inversely correlated to movements in interest rates. If interest rates fall, the fair value of the Company's fixed income securities tends to rise and vice versa.

The table below shows the potential impact on investment portfolio valuation resulting from fluctuations in interest rates, based on the portfolio duration, as follows:

Amounts in USD'000 Change in interest rates (basis points)	2022		2021	
	Impact on valuation	% of Solvency II surplus	Impact on valuation	% of Solvency II surplus
+100 bps	(47,298)	(17.3)%	(31,078)	(14.7)%
+50 bps	(23,720)	(8.7)%	(15,230)	(7.2)%
-50 bps	23,852	8.7 %	14,613	6.9 %
-100 bps	47,810	17.5 %	28,605	13.6 %

The Company manages interest rate risk by regularly monitoring the average duration of financial investments.

The Company operates internationally and therefore has exposure to foreign exchange risk. The Company endeavors to mitigate this risk by maintaining a match of assets and liabilities in their respective currencies.

The table below shows the potential impact, by currency, on the income statement and equity resulting from fluctuations in foreign exchange rates:

Amounts in USD'000					
Change in USD versus foreign currency					
2022	GBP	EUR	AUD	JPY	Total
+10%	5,813	2,957	(2,190)	(70)	6,510
+5%	3,045	1,549	(1,147)	(37)	3,410
-5%	(3,045)	(1,549)	1,147	37	(3,410)
-10%	(5,813)	(2,957)	2,190	70	(6,510)
2021	GBP	EUR	AUD	JPY	Total
+10%	7,824	499	(666)	(263)	7,394
+5%	4,098	262	(349)	(138)	3,873
-5%	(4,098)	(262)	349	138	(3,873)
-10%	(7,824)	(499)	666	263	(7,394)

The Company manages foreign exchange risk by buying or selling currency to rebalance its monetary assets and liabilities following each quarter end.

The Company is exposed to spread risk relating to its fixed income assets. The following table shows the potential impact on the income statement resulting in widening of yield spread.

Amounts in USD'000	Fixed Income Market Value	2022 Loss	% of Solvency II surplus	Fixed Income Market Value	2021 Loss	% of Solvency II surplus
Base	1,296,077			1,096,210		
10 bps widening		(4,523)	(1.7)%		(2,960)	(1.4)%
50 bps widening		(22,617)	(8.3)%		(14,799)	(7.1)%

While the Company does not place any limits on spread duration exposure, it does place limits on individual issuers and on industry sectors as a whole in order to manage its spread risk. The investment portfolio is monitored regularly for adherence to these limits.

### C.3 Credit Risk

Credit Risk arises from exposure to default by a third party to whom the Company has exposure. Primarily these parties would comprise reinsurers to whom the Company has ceded or retroceded business, parties holding premiums due to the Company and banks providing letters of credit to its benefit.

#### C.3.1 Approach to Risk Management

The Company uses a range of techniques to manage this risk as set out below:

- The purchase of ceded reinsurance is coordinated by the Group Ceded Reinsurance Officer who works with the business and various functional areas to determine coverage needs, develop an appropriate reinsurance structure and build the submission to present to market. The Group Ceded Reinsurance Officer ensures that the data contained within the submission is both accurate and that the narrative outlining the business' strategy is relevant. All draft contracts undergo a legal review prior to binding.
- The Company avoids excessive and non-diversified use of reinsurance by doing business only with reinsurers of sufficient credit or financial strength. All reinsurance purchases are made through a pre-approved counterparty panel with the constituents selected on the basis of their financial strength rating (minimum A-rating required) and other background criteria. In the event of credit downgrades below the minimum required, approved counterparties may be removed from the panel.
- The Company additionally maintains internal quota-share reinsurance agreements with ESIL and Sompo Japan Insurance Inc, which includes quota-share, stop-loss reinsurance and excess of loss reinsurance. The Company regularly monitors the credit risk assumed through these internal transactions assessing what impact cessation of this protection would have on the capital and/or liquidity position of the Company under both normal and stressed conditions. This is reviewed by the Board at least annually.
- Outwards reinsurance and other counterparty risk levels are monitored by the Risk & Compliance Committee quarterly through a series of quantitative and qualitative risk metrics. Material deviations in the risk levels from

predetermined risk tolerances are notified to the Board and remedial action to bring risk levels within appetite are considered.

### C.3.2 Assessment of Risk

As determined by the Standard Formula, credit risk comprises 9.9% (2021: 9.5%) of the undiversified total SCR.

#### *Material Risk*

Credit or counterparty risk exposures other than those associated with investments arise from exposure to default by a third party. The Company is subject to credit risk primarily with respect to its reinsurers because the transfer of risk to a reinsurer does not relieve the Company of its liability to its clients. If reinsurers experience financial difficulties, the Company may not be able to recover losses. In addition, reinsurers may be unwilling to pay, even if they are able to do so. The failure of one or more of reinsurers to honour their obligations in a timely fashion would impact cash flow and reduce net income. Depending upon the amount of reinsurance purchased, such a scenario could cause a significant loss to the Company.

#### *Concentration Risk*

When reinsurance or retrocessional reinsurance is purchased, the Company requires its reinsurers to have strong financial strength ratings. The Company evaluates the financial condition of its reinsurers and monitors its concentration of credit risk on an ongoing basis. The Company manages its credit risk in its reinsurance relationships by transacting with reinsurers that it considers financially sound and, if necessary, may hold collateral in the form of cash, trust accounts and/or irrevocable letters of credit. This collateral can be drawn on for amounts that remain unpaid beyond specified time periods on an individual reinsurer basis.

The Company identifies and accumulates credit risk exposure by entity and by credit rating to provide assurance that it is not overweight to any particular entity or to credit ratings of A- and below. The following table summarizes the major counterparty exposure, on a UK GAAP basis, by Standard & Poor's or equivalent credit rating:

Amounts in USD'000						
2022	AAA	AA	A	BBB and below	Other/not rated	Total
RI share of claims outstanding	18,387	841,126	72,830	4,759	43,949	981,051
Cash and cash equivalents	—	—	69	—	—	69
Other assets	—	—	4	—	1	5
<b>Total</b>	<b>18,387</b>	<b>841,126</b>	<b>72,903</b>	<b>4,759</b>	<b>43,950</b>	<b>981,125</b>

Amounts in USD'000						
2021	AAA	AA	A	BBB and below	Other/not rated	Total
RI share of claims outstanding	12,984	570,213	33,924	7,391	2,325	626,837
Cash and cash equivalents	—	—	81,460	—	—	81,460
Other assets	—	—	3,581	—	450	4,031
<b>Total</b>	<b>12,984</b>	<b>570,213</b>	<b>118,965</b>	<b>7,391</b>	<b>2,775</b>	<b>712,328</b>

The financial assets included in the 'other/not rated' column relate to reinsurers' share of claims outstanding with unrated counterparties which are either not rated or cannot be readily allocated a credit rating.

### C.3.3 Sensitivity of Risk

The Company has analysed the impact of potential credit rating transitions and concluded that a downgrade of its largest reinsurer would not have a significant impact on its solvency.

## C.4 Liquidity Risk

Liquidity Risk represents the risks where the short-term liability obligations cannot be met by the Company due to the inability to convert assets into cash. Such a scenario can be driven by a lack of buyers in an inefficient market.

### C.4.1 Approach to Risk Management

The Company uses a range of techniques to manage this risk as set out below:

- The Company is exposed to daily calls on its available cash resources, principally from claims arising from its insurance activities. The Company's policy is to manage its liquidity position, allowing for encumbered assets and restricted fungibility of assets, so that it can reasonably meet a significant individual or market loss event.
- Liquidity analyses are prepared quarterly with a full analysis performed annually to consider the availability and fungibility of Group funds to support legal entity capital needs in the event of a major market or economic shock. Any event which might change the outcome of these analyses (such as a large catastrophic loss or significant asset encumbrance) would cause the analysis to be re-run.
- The Company maintains sufficient liquid assets, or assets that can be quickly converted into liquid assets, without any significant capital loss, to meet estimated cash flow requirements. These liquid funds are regularly monitored and the majority of the Company's investments are in highly liquid assets which could be converted into cash in a short time frame and at minimal expense. Cash is generally bank deposits and money market funds.
- Contingent liquidity funding is provided by the Net Worth Agreement with Endurance Specialty Insurance Limited ("ESIL") to ensure that the Company has at all times sufficient cash funds or liquid assets to satisfy valid claims under the policies issued by the Company and valid claims of financial creditors as they fall due for payment.

## C.4.2 Assessment of Risk

### *Material Risk*

The Company's liquidity risk exposure primarily arises during periods of stress such as catastrophe events or major individual losses that require losses to be settled over a relatively short timeframe. This may be due to client needs or driven by insurance regulators in the jurisdiction of the loss event. The Company may also experience delays in the corresponding recovery of loss amounts paid from its reinsurers, potentially adding to the short-term liquidity strain.

### *Expected Profit included in Future Premiums ("EPIFP")*

The total EPIFP has increased from \$174.2m in 2021 to \$228.9m in 2022 due to business growth within the Solvency II technical provisions between 2021 and 2022.

## C.4.3 Sensitivity of Risk

The Company has a liquidity risk limit framework in place to ensure that there is an appropriate level and composition of liquid funds in place to meet expected future cash outflows under normal conditions.

## C.5 Operational Risk

In undertaking its core underwriting and investment activity the Company accepts exposure to other risks that it does not seek and for which it is not rewarded, in particular operational risk. Operational risk refers to the loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational Risk includes Regulatory and Legal Risk. Regulatory Risk includes the risk of non-compliance with prevailing regulatory requirements; Legal Risk includes the risk of non-compliance with corporate, taxation and employee legislation in the UK, the US and other appropriate jurisdictions, as may be the case from time to time.

### C.5.1 Approach to Risk Management

If not properly managed, operational risk can cause significant losses for the Company. It is virtually impossible to eliminate these risks entirely; therefore, the Company aims to limit its operational risk losses to an acceptable risk appetite, recognising the trade-off between the benefits and costs of risk mitigation.

The Company uses a range of techniques to manage this risk as set out below:

- The Company generally aims to minimise both the frequency and severity of operational risk losses to the extent practical.
- The Company seeks to mitigate operational risks through the application of strong risk governance, processes and controls throughout its business. Individual accountability for all key business risks and controls is clear and documented in the risk register.
- Through the Risk & Control Self-Assessment ("RCSA") framework, each risk owner is responsible for assessing the design and operating effectiveness of their control environment, and, to the extent any gaps or deficiencies

exist, assessing the corresponding impacts and level of operational risk / exposure to the company. The RCSAs are conducted at least annually for all areas, and more frequently (bi-annually or quarterly) for those risk areas which have either 1) a high inherent risk rating (and therefore high dependency on controls), 2) a more dynamic and changing operating / control environment or 3) where management has identified material control gaps in previous assessments. RCSA reviews consider any loss incidents, material key risk indicator/key performance indicator exceptions or other relevant factors in the period. This process is facilitated by the Risk Function and overseen by the Operations Committee, with material exceptions or emerging trends reported to the Risk and Compliance Committee.

- Oversight of compliance with regulatory requirements is provided by the Board with day-to-day management responsibility delegated to the Risk & Compliance Committee. The Risk & Compliance Committee meets at least quarterly to receive management information and discharge its delegated oversight duties. To support the Board in fulfilling its oversight responsibilities the compliance function monitors and reports upon the status of the business in meeting minimum standards expectations and regulatory requirements.
- In relation to outsourcing risk, the Company has developed policies and procedures to ensure that third parties on whom we rely to provide key business services on an outsourced basis (including, but not limited to delegated underwriting, claims processing, finance operations, IT support) are subject to appropriate due diligence and ongoing oversight with responsibilities spanning across Procurement, Legal, IT and Internal Audit, as well as relevant business owners.
- In relation to cybersecurity risk, the Company has adequate cybersecurity measures in place to identify, protect and detect security threats, as well as a robust process for responding and recovering from successful cyber-attacks. A series of detailed policies, procedures and standards are in place which collectively set out the Company's management and control of cybersecurity risk, coordinated and overseen by a dedicated IT Security team which serves as a central point of contact regarding all cyber security concerns. The Company's information security procedures and controls are aligned with and organized around the NIST Cybersecurity Framework. In relation to the management of cyber / information security exposure arising from third parties, the Company's due diligence process incorporates an initial risk assessment process where operational risks (including IT, data protection and BCP risks) are considered amongst other key risks, prior to the agreement of the contract. The risk assessment is repeated at the renewal or auto-renewal of the contract.
- The internal audit function is responsible for performing an independent review of the adequacy and effectiveness of the Company's internal controls. The audit function considers the operational risk self-assessment to develop its audit universe and annual risk-based audit plan. In executing the audit plan a feedback loop exists where the recommendations arising from review of the control environment are considered by management and the risk function and, as appropriate, reflected in the risk register. All findings are reported to the Audit Committee.



### C.5.2 Assessment of Risk

As determined by the Standard Formula, operational risk comprises 8.3% (2021: 10.1%) of the undiversified total SCR.

#### *Material Risk*

The Company's operational risk exposure arises primarily from activities required to support the continued business growth and product expansion in competitive and strained market conditions and heightened regulatory conditions. There are a significant number of change initiatives underway to transform the Company's operations and deliver improved operating efficiency and effectiveness, positioning the business to sustainably create value even in competitive trading conditions.

### C.5.3 Sensitivity of Risk

The Company has analysed its operational risk exposure and considers that any foreseeable operational event would not have a significant impact on its solvency.

## C.6 Other material risks

In addition to the risks identified above, a few key risks are outlined below:

- **Strategic Risk:** Risk includes the risk of missed business opportunities, non-achievement of corporate or Company strategy and impact on competitive positioning and the value of the Company brand. It includes the risks: of making strategic decisions that do not add value, environmental conditions preventing the strategy from being executed, strategy not executed effectively or consistently, a diminution of the reputation of the Company, and having inadequate crisis response management.
- **Emerging Risks:** Emerging risk is defined as newly developing or changing risks which are difficult to quantify and which may have a major impact on the organisation. The Company operates a group wide emerging risk identification process which captures and assesses the potential impact and appropriate actions necessary to manage emerging risks.
- **Group Risk:** Risks to the Company arising specifically from being a part of a wider corporate group, including but not limited to the risk of reputational impairment or of loss of support, both financial and operational, from the Group. Group risk is mitigated through the application of strong controls and a consistent risk management framework, including risk limits, across all entities in the Group. This helps mitigate any material impairment to the Group's financial position, brand and reputation.
- **Conduct Risk:** Conduct risk is defined as the risk that the Company fails to pay appropriate regard to the interest of its customers and/or fails to treat them fairly at all times. Conduct risk is managed through the application of strong internal controls, compliance policies and procedures, and through the oversight of the Product Oversight Group and the monitoring of various conduct risk metrics by the Operations Committee and Risk & Compliance Committee.
- **Sustainability Risk:** The Company's various stakeholders - including its employees, reinsurers, investors, business partners, regulators, and communities - have become increasingly interested in environmental, social

and governance ("ESG") principles. These principles are closely aligned with the Company's overarching purpose to "create a society in which every person can live a healthy, prosperous, and happy life in one's own way." The Company has been designing and executing its ESG strategy, a key component of which is its response to the risks associated with climate change. Climate change has the potential to have a material impact on the global economy, and as an insurer and asset manager, the Company plays a role in facilitating the world's green transition. Thus the Company has taken a multi-faceted, strategic approach to climate change risk assessment and management, as described below. The following are the most significant climate change risks facing the Company:

- Physical risk involves the risk that shifts in the frequency, severity, or other characteristics of natural catastrophes due to climate change may lead to an increase in insurance payments, leading to a possible deterioration in underwriting results. The Company considers this a prospective and material risk.
- Transition risk involves the risk associated with the transition to a decarbonized society. Technological progress or the introduction of stricter laws and regulations aimed at transitioning toward a decarbonized society could result in structural changes to many industries. Transition risk could also have an impact on the value of the Company's investment assets. It also introduces reputational risk if the Company fails to adequately address the energy transition. The Company considers this a prospective and material risk.
- Liability risk involves customers who may have contributed to climate change or who have failed to ensure that their companies were sufficiently protected from the effects of climate change. The Company considers this both a prospective and retrospective risk; the latter in the form of reserve risk for its liability classes of business. The Company monitors and manages this risk through its claims and reserving processes.

The existing Board-approved risk management framework sets forth the roles and responsibilities of those overseeing the implementation and monitoring of the risk management framework, which encompasses those risks facing the Company, including climate change. As greater understanding of financial risks from climate change develops, the risk management framework continues to evolve to reflect the distinctive elements of this risk to ensure effective management and oversight, including enhancement of scenario testing in this area.

In addition, the Company's ultimate parent, Sompo Holdings, has made sustainability and climate change key components of their Medium-Term Management Plan, which includes establishment of a Sustainability Management Office and a Chief Sustainability Officer, as well as pursuit of several climate related commitments. Most notably, the group has joined the UN-convened Net-Zero Insurance Alliance and Net-Zero Asset Owner Alliance, committing to become net zero in both its underwriting and its investments by 2050. These initiatives will require the Company to measure its current footprint associated with these activities and then set and pursue targets for emissions reduction, customer and investee engagement, and transition financing.

Sompo International has appointed a Head of Sustainability to develop and implement an ESG framework to strengthen our position as a responsible global corporate citizen in support of Sompo Holdings' broader efforts to address ESG issues.

## **C.7 Other information**

### **COVID-19**

The risks associated with COVID-19 continue to be monitored by the Company. Though management's best estimate of claims is reflected in the total booked reserves, some uncertainty remains, mainly in relation to property / business interruption exposure with the potential for further losses resulting from decisions in regulator and market-led test cases or legislative developments in certain jurisdictions that could impact the scope of intended coverage. These potential developments are being closely monitored by the Company and to date, have been in line with our coverage intentions. The Company continues to monitor for COVID-19 mutations and potential new variants of the disease, although any impact on the Company's operations and results it is expected to be more contained in relation to underwriting losses given the actions taken during COVID-19 (e.g., adopting communicable disease exclusions when permitted by law).

### **Ukraine**

The Company's direct exposure to the war in Ukraine through its underwriting and investment portfolio has so far been limited. The Company is also closely monitoring the indirect impact of the conflict on the Company's financial condition driven by the conflict's contribution to the global inflationary and recessionary pressures, and the increased volatility in the financial markets.

There is nothing further to report regarding the risk profile of the Company. The Company has not established any SPVs and holds no material off-balance sheet exposures.

## D. Valuation for Solvency Purposes

The 'Valuation for solvency purposes' section of this report provides a description of the basis, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities for each material asset / liability class under Solvency II.

### D.1 Assets

#### D.1.1 Solvency II valuation and difference from local GAAP valuation for each material class of asset

Amounts in USD'000	31 Dec 2022			
	UK GAAP	Re-classification	Valuation differences	SII basis
Deferred acquisition costs	147,146	—	(147,146)	—
Property, plant and equipment held for own use	2,955	—	11,587	14,542
Investments (other than assets held for index-linked and unit-linked contracts)	1,287,049	8,646	—	1,295,695
Reinsurance recoverables	1,310,515	(348,685)	(374,150)	587,680
Deposits to cedants	50,143	—	—	50,143
Insurance and intermediaries receivables	548,053	(534,497)	—	13,556
Reinsurance receivables	286,432	(116,617)	—	169,815
Receivables (trade, not insurance)	11,778	—	—	11,778
Cash and cash equivalents	69,145	—	—	69,145
Deferred tax assets	9,492	—	(7,368)	2,124
Any other assets, not elsewhere shown	14,123	(12,252)	—	1,871
	<b>3,736,831</b>	<b>(1,003,405)</b>	<b>(517,077)</b>	<b>2,216,349</b>

Amounts in USD'000	31 Dec 2021			
	UK GAAP	Re-classification	Valuation differences	SII basis
Deferred acquisition costs	132,502	—	(132,502)	—
Property, plant and equipment held for own use	3,772	—	13,826	17,598
Investments (other than assets held for index-linked and unit-linked contracts)	1,128,062	5,290	—	1,133,352
Reinsurance recoverables	947,244	(340,162)	(226,357)	380,725
Deposits to cedants	25,612	—	—	25,612
Insurance and intermediaries receivables	525,291	(487,225)	—	38,066
Reinsurance receivables	259,834	(132,966)	—	126,868
Receivables (trade, not insurance)	9,776	—	—	9,776
Cash and cash equivalents	83,195	—	—	83,195
Deferred tax assets	404	—	18,336	18,740
Any other assets, not elsewhere shown	10,362	(8,871)	—	1,491
	<b>3,126,054</b>	<b>(963,934)</b>	<b>(326,697)</b>	<b>1,835,423</b>

Unless otherwise stated, the Solvency II basis of valuation for all assets follows fair value measurement principles. There were no changes to the recognition and valuation bases over the period. Further details of the assets and explanations for material differences between Solvency II and financial statement valuation basis are set out below.

The Solvency II Balance Sheet is constructed on the basis of discounted cash flows to ultimate. The concept of unearned premium and deferred costs do not therefore exist and thus both the ceded unearned premium reserve and gross deferred acquisition costs are removed from the balance sheet.

#### *Deferred acquisition costs (“DAC”)*

Deferred acquisition costs are reported as assets under UK GAAP but valued at nil under Solvency II. Cashflows relating to future acquisition costs are included in the calculation of technical provisions.

#### *Property, plant and equipment held for own use*

Property, plant and equipment is held at fair value under Solvency II. The UK GAAP depreciated historic cost value is materially equivalent with the Solvency II carrying value. Management believe that the nature of the property, plant and equipment (being predominantly office equipment and fixtures and fittings) means these assets are unlikely to appreciate in value, but rather deteriorate throughout use.

The Solvency II value includes property leases that have been capitalized in accordance with IFRS 16. The Company considers that the IFRS 16 value of the right-of-use asset and liability as remeasured at balance date is materially equivalent to the exchange value required by Solvency II. Under UK GAAP these leases are classified as operating leases and are not capitalized on the Balance Sheet.

#### *Investments (other than assets held for index-linked and unit-linked contracts)*

Under Solvency II, Investments are valued at fair value including accrued interest using the following valuation hierarchy as set out in Article 10 of the Delegated Regulation.

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities, per Article 10(2) of the Delegated Regulation.
- Level 2: Quoted prices for similar assets in markets that are active, quoted prices for identical or similar assets in markets that are not active or inputs that are observable either directly or indirectly, per Article 10(3) of the Delegated Regulation.
- Level 3: Unobservable inputs are used to measure fair value by use of valuation techniques, per Article 10(5) of the Delegated Regulation.

At 31 December 2022, all financial investments (\$1,295.7m) were priced using Level 2 inputs, i.e. pricing service or index provider. The pricing services or index providers may use current market trades for securities with similar quality, maturity and coupon.

For UK GAAP, the Company also values investments at fair value, however the accrued interest is reported separately under other assets.

#### *Derivatives*

Since 2022, the Company uses forward foreign exchange derivatives in order to hedge its exposure to foreign currencies. The derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently stated at fair value through the profit and loss non-technical account, using valuation techniques for which all significant inputs are based on observable market data.

There are no differences between the Solvency II valuation and the UK GAAP valuation of derivative assets and liabilities.

#### *Insurance and intermediaries receivables, and reinsurance receivables*

Receivables include only items past due and recoveries in respect of paid claims. These are fair valued at an amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction, in accordance with Article 75 of Directive 2009/138/EC.

Receivables not yet due are reclassified and form part of the technical provisions calculation under Solvency II. For items past due and recoveries in respect of paid claims, the UK GAAP carrying value is equal to the Solvency II carrying value.

#### *Cash and cash equivalents*

Cash and cash equivalents are valued at fair value as reported to the Company by the relevant financial institution at the end of the period, per Article 10(2) of the Delegated Regulation.

There are no significant estimates or judgments used in valuing the cash holdings. There are no differences between the Solvency II valuation and the UK GAAP valuation of deposits with cash and cash equivalents.

#### *Deferred tax assets*

Deferred tax is provided in full on all temporary differences arising between the Solvency II valuation and the tax bases of assets and liabilities. Deferred tax is calculated by tax jurisdiction such that applicable national tax rates are used for those calculations. Deferred tax assets and liabilities are netted off if the counterparty is the same tax authority and there is an ability to settle net. To the extent that there is a deferred tax asset, this will be recognised provided future taxable profits are considered sufficiently probable. This is subject to ongoing review to reflect future profit projections.

## D.1.2 Changes to the recognition and valuation bases used, or on estimations during the reporting period

There have been no changes to the recognition, valuation or estimation methods used during the period.

## D.2 Technical provisions

General insurance business technical provisions for solvency are calculated to reflect values based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure, with the addition of a risk margin.

General insurance business (non-life) technical provisions are comprised of the following components:

- Discounted best estimate of i) future cash-flows relating to incepted earned business (claims provisions) and ii) future cash flows relating to incepted unearned business (premium provisions) and unincepted business for which the (re)insurer is 'legally obliged' as at the valuation date.
- Discounted best estimate of loss and loss expense cash-flows relating to both earned and unearned business and both gross business and outwards reinsurance. This includes allowance for very low probability extreme events referred to as Events not in Data ("ENID") and for all expenses incurred in running-off the existing business (assuming a going-concern), including a share of the relevant overhead expenses.
- Risk margin calculated using a cost of capital approach. This approach requires the risk margin to be calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the current obligations over their lifetime.

### D.2.1 Technical provisions analysed by each material line of business

Amounts in USD'000	31 Dec 2022				
	Gross best estimate	Risk margin	Gross total	Reinsurance	Net total
Fire and other damage to property insurance	357,855	22,314	380,169	(136,104)	244,065
General liability insurance	524,006	32,595	556,601	(253,468)	303,133
Marine, aviation and transport insurance	63,622	10,027	73,649	(64,184)	9,465
Non-prop. marine, aviation and transport reinsurance	14,338	388	14,726	(7,424)	7,302
Non-proportional casualty reinsurance	227,094	22,312	249,406	(85,383)	164,023
Non-proportional property reinsurance	49,353	2,674	52,027	(20,325)	31,702
Other <sup>1</sup>	(4,013)	3,479	(534)	(20,791)	(21,325)
	<b>1,232,255</b>	<b>93,789</b>	<b>1,326,044</b>	<b>(587,679)</b>	<b>738,365</b>

<sup>1</sup> The negative Gross best estimate and reinsurance recoveries is due to the recognition of subrogation rights included within Credit and Suretyship line of business relating to Aircraft non-payment insurance claims.

Amounts in USD'000					31 Dec 2021
	Gross best estimate	Risk margin	Gross total	Reinsurance	Net total
Fire and other damage to property insurance	323,019	27,607	350,626	(78,372)	272,254
General liability insurance	458,756	34,458	493,214	(212,470)	280,744
Marine, aviation and transport insurance	77,393	8,954	86,347	(56,688)	29,659
Non-prop. marine, aviation and transport reinsurance	14,117	1,311	15,428	(1,046)	14,382
Non-proportional casualty reinsurance	228,465	32,688	261,153	(87,136)	174,017
Non-proportional property reinsurance	11,218	653	11,871	(9,691)	2,180
Other <sup>2</sup>	(78,329)	3,608	(74,721)	64,678	(10,043)
	<b>1,034,639</b>	<b>109,279</b>	<b>1,143,918</b>	<b>(380,725)</b>	<b>763,193</b>

### *Description of bases, methods and main assumptions used*

#### *Best Estimate Liabilities*

The projection of both Solvency II best estimate liabilities and UK GAAP booked reserves utilizes paid and reported loss data, segmented into homogeneous risk groups. The main projection methods used include the loss development, Bornhuetter-Ferguson (which is a Bayesian estimation approach) and the Initial Expected Loss method. The selected ultimate loss may be based on one particular method, or a weighting between several methods and professional judgment. For some recent catastrophe events and specified large losses, incurred but not reported ("IBNR") will be based upon qualitative information and recommendations from the claims department and the business units.

Where applicable, reinsurance recoveries on the gross IBNR are estimated based on the Company's reinsurance program. The Company's reinsurance recoverables include amounts from both third party and intragroup reinsurance and proportional and non-proportional reinsurance arrangements.

#### *Risk Margin*

The risk margin is calculated using a 'cost-of-capital' approach. It is calculated as the present value of the cost of capital rate (currently a prescribed 6%) applied to all future SCRs required to support the transferred liabilities through to run-off, established on a going concern basis. The initial capital requirement with respect to initial balance sheet business (as at the model calibration date) is estimated using the Standard Formula model. This capital requirement is assumed to reduce over time in line with the square-root of the expected run-off of the claims component (including ENIDs) of the Solvency II technical provisions net of reinsurance.

#### *Assumptions and Parameters*

The key parameters and assumptions used in estimation of technical provisions are set by Reserving, Capital Modelling, Finance and Financial Planning and Analysis functions. These key assumptions and parameters include: initial expected loss ratios ("IELR"s), claims emergence and payment patterns, premium payment and receipt patterns, expenses

<sup>2</sup> The negative Gross best estimate and reinsurance recoveries is due to the recognition of subrogation rights included within Credit and Suretyship line of business relating to Aircraft non-payment insurance claims.



(unallocated loss adjustment expenses, investment expenses, general & administrative expenses) that would be incurred in running off the existing business, ENID loadings, reinsurance counterparty default, and currency-specific yield curves (used for discounting) prescribed by the PRA. Where yield curves for a given currency are not available, US Dollars is used; instances where this is the case are deemed to be immaterial. ENID loadings are derived using the Company's Economic Capital Model ("ECM") and are selected based on consideration of truncated reserve risk and underwriting risk distributions. Additionally, contracts due to incept after the Solvency II technical provisions valuation date but bound before the valuation date are classified as legally obliged and included in the Solvency II technical provisions. The legally obliged unaccepted premium at 31 December 2022 was derived using actual premium on the system and January 2023 plan premium.

### D.2.2 Uncertainty associated with the value of technical provisions

While the estimation of the technical provisions reflects all available information and data as at the valuation date, the ultimate settlement value of claims may deviate, in some cases materially, from the estimated amounts.

#### *General uncertainty*

Key areas of uncertainty include:

1. *Deviation of ultimate claim settlement cost from expectations.* The actual final cost of settling both claims outstanding as at 31 December 2022 and claims expected to arise from unexpired periods of risk is uncertain. There is a range of possible outcomes, and the eventual outcome will almost certainly differ from any particular estimate made. Technical provisions can only be estimates of future liabilities, and accordingly are subject to uncertainty.
2. *UK Motor.* The current Ogden discount is -0.25%, effective from August 2019, with the next review due by 2024 at the latest. In addition to changes in the Ogden discount rate, our UK Motor excess of loss reinsurance book is impacted by other factors including life expectancy for PPO claimants, indexation of PPO payments, PPO propensity, and recent trend of ceding companies booking reserves earlier than historically observed.
3. *Rates, claims tend, terms and conditions and IELRs.* There is considerable uncertainty around the impact that the recent period of strong rate increases will have on IELRs, particularly in light of industry concerns around social inflation, recent increases in base inflation, materials and supply chain issues, and changes in policy terms and conditions. The significant reliance on IELRs in the estimation of the liabilities for earned exposure in the current year, and unearned and unaccepted exposures included in the technical provisions further increases the uncertainty of these estimates.
4. *New classes of business.* The only new class of business added to the underwriting portfolio over the past year is Medical. However, the Company has built out its insurance operations over the past five years, so there is a lack of historical experience for some of the newer classes that adds an additional element of uncertainty to the reserve estimation process. This risk is mitigated by the significant purchases of reinsurance and use of benchmarks for reserving assumptions.
5. *COVID-19.* Key uncertainties around the impact of COVID-19 include legal rulings on the effectiveness of disease exclusions in policy wordings, indirect effects on long-tail and Credit lines (including potential

recessionary impacts), quantum of reinsurance recovery receivables, effects on actuarial assumptions (including claim development profiles which may be impacted by court shutdowns, for example), and the impact of future lockdowns and disease waves.

6. **Current accident year.** For most classes, particularly long-tailed classes, the current accident year selected ultimate loss ratio is based on plan or pricing loss ratios, which adds an element of subjectivity and uncertainty to our ultimate loss selections. Early indications show more recent accident year loss ratios trending below historical experience, which provides some comfort around the robustness of the plan loss ratios on these more recent years.
7. **Professional Lines.** The book contains a significant amount of professional liability business, where ultimate results can be highly sensitive to adverse trends, such as a worsening legal climate regarding security class actions and litigation impacting financial institutions. The Professional Lines book is exposed to specific risks include cladding which the claims team analyses on a quarterly basis and shares the results of this analysis with the Reserving team. The ceded reinsurance program, along with the experience and strong track record of the underwriting team, helps to somewhat mitigate the exposure for this book of business to systemic issues.
8. **Claim inflation.** Whilst claim inflation is implicitly allowed for in the selected development patterns, where historical data has been used, there is added uncertainty in more recent years where underlying trends may differ to historical experience. Pricing and Plan loss ratios also make an explicit allowance for claims inflation. Headline CPI inflation in recent periods has been significantly higher than the long-run average between 2011-19, which has increased the level of uncertainty in our reserve estimates. However, it should be noted that drivers of insurance claims costs vary by class and include other factors such as social inflation, wage inflation, medical/legal costs (all of which can be correlated with headline CPI to a greater or lesser degree). In response to this increased uncertainty, we have built a bespoke inflation reserve model to estimate the potential impact of elevated inflation on the reserves. The model applies inflation forecasts for key claims drivers to future calendar year reserve payments by year and major portfolio. The results of this model have been contemplated in EWIL's year-end 2022 reserves.
9. **Event losses.** Given the recent nature of Hurricane Ian, there is a particularly high level of uncertainty around the estimate, as loss adjusting so far has been and inflation may combine with demand surge to increase costs. However, as the Company has taken a market-standard approach of basing the estimate on early advice and modelling, this seems to be a reasonable approach at this stage of development. Additionally, there is uncertainty around losses from the Russia-Ukraine conflict where quantum and coverage for losses incurred in the region are uncertain, further clouded by the presence of international sanctions. The Company considers that its approach of holding a small number of specific provisions and retained part of the plan cat budget is not unreasonable. The Company has performed an analysis of our exposure to this event, with the bulk of this concentrated on the Crisis Management and, to a lesser extent, Marine War classes. There are also two notable exposures on the Credit and Suretyship line of business (relating to our Financial and Political Risk and Aircraft non-payment insurance classes) although we do not consider these likely to result in a loss based on current information. Based on this exposure analysis, we have included specific provisions on our Crisis Management

and Marine War classes. We continue to monitor this ongoing situation closely and adjust our provisions as appropriate.

### D.2.3 Differences between Solvency II valuation and local GAAP valuation of Technical Provisions analysed by each material line of business

Amounts in USD'000				31 Dec 2022
Gross	UK GAAP (net of DAC)	Solvency II differences	Risk margin	Solvency II basis
Fire and other damage to property insurance	615,740	(257,885)	22,314	380,169
General liability insurance	766,072	(242,066)	32,595	556,601
Marine, aviation and transport insurance	261,642	(198,020)	10,027	73,649
Non-prop. marine, aviation and transport reinsurance	13,146	1,192	388	14,726
Non-proportional casualty reinsurance	330,725	(103,631)	22,312	249,406
Non-proportional property reinsurance	72,470	(23,117)	2,674	52,027
Other	123,938	(127,951)	3,479	(534)
	<b>2,183,733</b>	<b>(951,478)</b>	<b>93,789</b>	<b>1,326,044</b>

Amounts in USD'000				31 Dec 2022
Net	UK GAAP (net of DAC)	Solvency II differences	Risk margin	Solvency II basis
Fire and other damage to property insurance	214,356	7,395	22,314	244,065
General liability insurance	250,828	19,710	32,595	303,133
Marine, aviation and transport insurance	91,667	(92,229)	10,027	9,465
Non-prop. marine, aviation and transport reinsurance	(7,645)	14,559	388	7,302
Non-proportional casualty reinsurance	165,400	(23,689)	22,312	164,023
Non-proportional property reinsurance	3,573	25,455	2,674	31,702
Other	87,548	(112,352)	3,479	(21,325)
	<b>805,727</b>	<b>(161,151)</b>	<b>93,789</b>	<b>738,365</b>

Amounts in USD'000				31 Dec 2021
Gross	UK GAAP (net of DAC)	Solvency II differences	Risk margin	Solvency II basis
Fire and other damage to property insurance	515,170	(192,151)	27,607	350,626
General liability insurance	580,826	(122,070)	34,458	493,214
Marine, aviation and transport insurance	201,920	(124,527)	8,954	86,347
Non-prop. marine, aviation and transport reinsurance	12,477	1,640	1,311	15,428
Non-proportional casualty reinsurance	294,357	(65,892)	32,688	261,153
Non-proportional property reinsurance	19,467	(8,249)	653	11,871
Other	33,066	(111,395)	3,608	(74,721)
	<b>1,657,283</b>	<b>(622,644)</b>	<b>109,279</b>	<b>1,143,918</b>

Amounts in USD'000				31 Dec 2021
Net	UK GAAP (net of DAC)	Solvency II differences	Risk margin	Solvency II basis
Fire and other damage to property insurance	214,356	30,291	27,607	272,254
General liability insurance	250,828	(4,542)	34,458	280,744
Marine, aviation and transport insurance	91,667	(70,962)	8,954	29,659
Non-prop. marine, aviation and transport reinsurance	(7,645)	20,716	1,311	14,382
Non-proportional casualty reinsurance	165,400	(24,071)	32,688	174,017
Non-proportional property reinsurance	3,573	(2,046)	653	2,180
Other	87,548	(101,199)	3,608	(10,043)
	<b>805,727</b>	<b>(151,813)</b>	<b>109,279</b>	<b>763,193</b>

Net Solvency II technical provisions at 31 December 2022 are 91.6% (2021: 94.7%) of net UK GAAP provisions. The differences between GAAP and Solvency II basis technical provisions are discussed further below. The items driving a reduction in the 31 December 2022 technical provisions, from GAAP basis to Solvency II basis, are the profit from Unearned Premium Reserve, profit from unaccepted business and discounting benefit, which reduce the GAAP technical provisions by 9.7% and 30.3%, respectively. This is offset by items driving an increase in the 31 December 2022 technical provisions. These items are accepted future premiums (net of acquisition costs), expenses, ENIDs and risk margin, which increase the GAAP technical provisions by (2.3)%, (10.2)%, (2.3)% and 7.0%, respectively.

#### *UK GAAP to Solvency II Technical Provisions Differences*

The methods and assumptions used in the valuation of technical provisions under Solvency II are broadly consistent with the methods and assumptions used under UK GAAP. The transition from UK GAAP to Solvency II technical provisions consists of the following differences:

- *Removal of margin.* The Solvency II technical provisions are intended to reflect a best estimate and as such any margin of prudence in the UK GAAP technical provisions must be removed. Margin by class of business and accident year is determined by a separate actuarial analysis and deducted from the booked gross and net IBNR.
- *Reinsurance bad debt.* An allowance for counterparty default, as it relates to outwards reinsurance recoveries.
- *Profit from Unearned Premium Reserve (net of DAC).* The Solvency II balance sheet is based on discounted cash flows to ultimate; the concept of UPR / accrual accounting does not exist. Under Solvency II, the UPR (net of DAC) is eliminated and it's replaced by the expected profit on the unearned premium.
- *Profit from Unaccepted.* This adjustment reflects the expected profit on unaccepted / legally obliged business included in the Solvency II technical provisions.
- *Incepted future premiums.* Future premiums due to/from incepted business which includes the cost of future reinsurance purchased for in-force gross business.
- *ENID Loadings.* An allowance for low probability extreme events not included under UK GAAP.
- *Additional Expenses.* Future expenses related to the run-off of the technical provisions as of the valuation date. The expenses include ULAE, investment and general & administrative expenses.
- *Discounting.* The Solvency II technical provisions are produced on a discounted cash flow basis. This amount reflects the benefit of discounting the Solvency II technical provisions.

- *Risk Margin*. An allowance for the amount insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations.

#### D.2.4 Recoverables from reinsurance contracts and Special Purpose Vehicles ("SPV"s)

The Company values reinsurance recoverables using standard actuarial methods.

Future premium cash flows for incepted outwards reinsurance policies are taken directly from the GAAP balance sheet. Future premium cash flows for unaccepted outwards reinsurance policies are estimated using business planning information.

Future outwards reinsurance claims cash flows in respect of earned inwards policies are estimated as part of the Company's reserving process. The approach used will vary for the type of reinsurance contract (quota share, excess of loss, stop loss) and will include consideration of net:gross ratios and reinsurance loss ratios, as well as more mechanical approaches (e.g. for quota share).

Future outwards reinsurance claims cash flows in respect of unearned and unaccepted inwards policies are calculated using recovery rates parameterised from business planning and other sources.

A description of the Company's intragroup outward reinsurance programs is included in Section B of this report. The Company's third party reinsurance programs are listed below.

- Whole account quota share for insurance business
- Various other quota share reinsurance contracts covering insurance and reinsurance lines
- Various facultative reinsurance contracts on an individual policy basis
- Various excess of loss reinsurance programs for a number of insurance and reinsurance classes

The company does not have any third party reinsurance protection from SPVs.

#### D.2.5 Material Changes in Relevant Assumptions Since Prior Reporting Period

During 2022, the assumption used to calculate the unallocated loss adjustment expense reserve in the UK GAAP Reserve Study was reduced slightly from 2.5% to 1.9% following a study of historical paid ULAE ratios, generating a ULAE reserve reduction of approximately \$7m. There are no other material changes to assumptions other than routine review of IELRs and development profiles.

#### D.2.6 Confirmations

The Company has not requested, and does not have in place, approvals to use the matching adjustment, volatility adjustment, transitional risk-free interest rate-term structure or the transitional deduction on technical provisions. Therefore no adjustments have been made relating to these transitional measures.

## D.3 Other liabilities

### D.3.1 Solvency II valuation and difference local GAAP valuation for each material class of liabilities

Amounts in USD'000	31 Dec 2022			
	UK GAAP	Re-classification	Valuation differences	SII basis
Technical provisions	2,330,879	(551,003)	(453,832)	1,326,044
Deposits from reinsurers	—	—	—	—
Insurance and intermediaries payables	3,136	—	—	3,136
Reinsurance payables	647,351	(452,402)	—	194,949
Payables (trade, not insurance)	25,947	—	11,456	37,403
Derivative liabilities	3	—	—	3
Any other liabilities, not elsewhere shown	99,965	—	(98,687)	1,278
	<b>3,107,281</b>	<b>(1,003,405)</b>	<b>(541,063)</b>	<b>1,562,813</b>

Amounts in USD'000	31 Dec 2021			
	UK GAAP	Re-classification	Valuation differences	SII basis
Technical provisions	1,789,785	(477,707)	(168,160)	1,143,918
Deposits from reinsurers	—	212	—	212
Insurance and intermediaries payables	14,614	(6,530)	—	8,084
Reinsurance payables	573,214	(479,909)	1	93,306
Payables (trade, not insurance)	37,627	—	16,691	54,318
Deferred tax liabilities	—	—	—	—
Any other liabilities, not elsewhere shown	99,406	—	(97,059)	2,347
	<b>2,514,646</b>	<b>(963,934)</b>	<b>(248,527)</b>	<b>1,302,185</b>

Liabilities other than technical provisions are valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction, in accordance with Article 75 of Directive 2009/138/EC; no adjustment is made to take account of the own credit standing of the Company. There are no significant estimates or judgments used in valuing other liabilities.

#### *Insurance and intermediaries payables, reinsurance payables, and payables (trade, not insurance)*

Payables represents amounts past due to (re)insurers and intermediaries under current (re)insurance contracts, and other general payables. The amounts payable include premiums, underwriting expenses, fees, taxes and profit commissions.

Aside from reclassifications, there are no differences between the Solvency II valuation and the UK GAAP valuation of payables.

#### *Payables (trade, not insurance)*

The Solvency II value of payables (trade, not insurance) includes property leases that have been capitalized in accordance with IFRS 16. Under UK GAAP these leases are classified as operating leases and are not capitalized on the Balance Sheet.

#### *Any other liabilities, not elsewhere shown*

Included within any other liabilities is an amount relating to deferred RI commission, which is valued at nil under Solvency II akin to DAC.

### **D.3.2 Changes to the recognition and valuation bases used, or on estimations during the reporting period**

There have been no changes to the recognition, valuation or estimation methods used during the period.

### **D.4 Alternative methods for valuation**

There are no alternative methods of valuation used by the Company to value assets or liabilities.

### **D.5 Any other information**

The Company provides letters of credit totaling \$159.0m (2021: \$108.8m) in favour of certain ceding companies in support of claims reserves in accordance with contractual and statutory obligations, these are covered by a credit facility with Mizuho which is uncollateralised.

The Company is in receipt of a letter of credit in respect of a 100% quota share cover for adverse development with a third party reinsurer effective from 1 July 2011. At 31 December 2022 the amount due from the reinsurer in this category is \$3.6m (2021: \$3.6m), of which \$2.2m from the reinsurer are collateralised by an irrevocable letter of credit from an “A-” rated credit institution.

Except for the letters of credit noted above there is nothing further to report regarding information on the valuation of the Company’s assets and liabilities for solvency purposes.

## E. Capital Management

### E.1 Own funds

Objectives when managing capital are:

- to comply with the capital adequacy requirements of the Solvency II regime as implemented in the UK and meet the expectations of the PRA as to operating levels of own funds.
- to safeguard the Company's ability to continue as a going concern so that it can maintain policyholder protection;
- to identify, quantify, monitor and control the risk profile with respect to the defined risk appetite and target level of capital;
- to obtain and retain the ratings necessary to trade with its preferred policyholder base; and
- to deploy capital on opportunities to underwrite business profitably.

Own funds are monitored quarterly by the Company's Risk & Compliance Committee against the latest capital requirements, as well as modelled over the Company's three year business planning horizon.

#### E.1.1 Own funds classified by tiers

Amounts in USD'000	31 Dec 2022	31 Dec 2021	Movement
Tier 1	651,413	514,498	136,915
Tier 2	—	—	—
Tier 3	2,124	18,740	(16,616)
	<b>653,537</b>	<b>533,238</b>	<b>120,299</b>

Tier 1 own funds consists of ordinary share capital and share premium account relating to ordinary share capital of \$346.3m and \$311.9m respectively (2021: \$346.3m and \$261.9m) following a \$50.0m capital injection during 2022, and a reconciliation reserve deficit of (\$6.8)m (2021: (\$93.7)m). These basic own fund items are immediately available to absorb losses and have no duration restrictions. The reconciliation reserve consists of excess of assets over liabilities, after the deduction of basic own funds items.

Tier 3 own funds consists of an amount equal to the value of net deferred tax assets.

All Tier 1 own funds are eligible to cover the Minimum Capital Requirement and all own funds are eligible to cover the Solvency Capital Requirement.

The Company has no basic own-fund items that are subject to the transitional arrangements referred to in Article 308b(9) and (10) of Directive 2009/138/EC.



## E.1.2 Difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities

Amounts in USD'000	31 Dec 2022	31 Dec 2021	Movement
Net assets under UK GAAP	629,550	611,408	18,142
Valuation differences on technical provisions under Solvency II	31,223	(95,012)	126,235
Valuation differences on lease assets	132	(1,494)	1,626
Valuation difference on deferred tax asset	(7,368)	18,336	(25,704)
<b>Excess of assets over liabilities under Solvency II</b>	<b>653,537</b>	<b>533,238</b>	<b>120,299</b>

Valuation differences on technical provisions under Solvency II includes:

- the impact of the revaluation of the UK GAAP premium receivables, UPR, loss and loss expense provisions and related items to reflect values based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure; and
- General Business Risk margins: revaluations under the cost of capital approach for the impact of the uncertainty associated with the probability-weighted cash flows or the compensation the Company needs in order to bear the risk of holding additional funds to meet cash flows.

The deferred tax asset valuation difference between UK GAAP and Solvency II is due to the tax impact of the risk margin and technical provision differences resulting in the net Solvency II deferred tax asset of \$2.1m. This deferred tax asset can be recognized in full against the forecast future profits of the Company and all timing differences are expected to reverse within a one-year time horizon. The business undertakes a formal business planning process each year with approval from the Board and the latest approved plan shows strong future profits for the company. As a result of the robust governance around the planning process, the outputs are appropriate for deferred tax recognition purposes.

## E.2 Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR")

The Company applies the Standard Formula, without modification for undertaking specific parameters. The Company has used the simplification described in article 111 of the Delegated Regulation in the calculation of the risk mitigating effect for Counterparty default risk as the most pragmatic approach given general data availability.

Amounts in USD'000	31 Dec 2022	31 Dec 2021	Movement
Non-life underwriting risk	250,775	226,943	23,832
Health underwriting risk	6,032	4,748	1,284
Market risk	135,823	84,135	51,688
Counterparty default risk	47,792	37,407	10,385
Operational risk	39,858	39,827	31
Total diversification benefit	(99,142)	(70,564)	(28,578)
Loss absorbing capacity of deferred taxes	—	—	—
<b>Solvency Capital Requirement</b>	<b>381,138</b>	<b>322,496</b>	<b>58,642</b>
<b>Minimum Capital Requirement</b>	<b>132,566</b>	<b>114,576</b>	<b>17,990</b>

The MCR is calculated in accordance with chapter VII of Title I of the Delegated Regulation. The final amount is derived from a formula consisting of:

- a linear calculation that uses the Company's net written premiums and best estimate technical provisions as data inputs;
- the linear calculation's relation to the Solvency Capital Requirement; and
- an absolute floor as described in Article 129(1)(d) of Directive 2009/138/EC and in Article 253 of the Delegated Regulation.

For year-end 2022 following the calculations specified in the Delegated Regulation, the calculation of the Company's linear MCR is more than 0.25 times the Solvency Capital Requirement but less than cap which is 0.45 times the SCR and so the MCR is equal to the linearly calculated MCR based on net written premiums and best estimate technical provisions.

The SCR has prudently not been adjusted for the loss absorbing capacity of deferred taxes due to uncertainty on how any shock loss would impact the current business plan which does not allow us to produce reliable post shock future profit forecasts.

### E.2.1 Material change to the SCR and to the MCR over the reporting period, and the reasons for any such change

The SCR has increased by approximately 18.0% while the MCR has seen a similar increase of 16.0% during the reporting period. These increased capital requirements are predominately driven by the increase in business volumes and technical reserves.

### **E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement**

Not applicable.

### **E.4 Differences between the Standard Formula and any internal model used**

Not applicable.

### **E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement**

The Company has complied continuously with both the MCR and SCR throughout the reporting period.

### **E.6 Any other information**

There is nothing further to report regarding information on capital management.

## **Approval by the Board of Directors of the Solvency and Financial Condition Report**

Financial year ended 31 December 2022

The Directors are responsible for preparing the Solvency and Financial Condition Report in accordance with applicable law and regulations. The Reporting Part of the PRA Rulebook for Solvency II firms requires the Company to have in place a policy of ensuring the ongoing appropriateness of any information disclosed and to ensure that its SFCR is approved by the directors.

We certify that:

1. the Solvency and Financial Condition Report (“SFCR”) has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and
2. we are satisfied that:
  - a. throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the insurer; and
  - b. it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply, and will continue so to comply to 31 December 2023.



A Golding

Director and Chief Financial Officer

31 March 2023

## **Report of the independent external auditor to the Directors of Endurance Worldwide Insurance Limited ('the Company') pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms**

### **Report on the Audit of the relevant elements of the Solvency and Financial Condition Report**

#### **Opinion**

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2022:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2022 ('the Narrative Disclosures subject to audit'); and
- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21 and S28.01.01 ('the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the Solvency and Financial Condition Report'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S05.02.01 and S19.01.21; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('the Responsibility Statement').

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2022 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including 'ISA (UK) 800 (Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks' and 'ISA (UK) 805 (Revised) Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement'. Our responsibilities under those standards are further described

in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the relevant elements of the Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of the Directors' going concern assessment process;
- We obtained and evaluated the Directors' going concern assessment which covers a period of twelve months from when the Solvency and Financial Condition Report is authorised for issue. This included management's forecast of the Company's financial solvency and liquidity, including stress scenarios;
- We considered the financial strength of a related company, Endurance Specialty Insurance Limited, in consideration of the ability of that related company to meet its obligations under reinsurance arrangements with Endurance Worldwide Insurance Limited.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the Solvency and Financial Condition Report is authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

### **Emphasis of matter – basis of accounting and restriction on use**

We draw attention to the 'Valuation for solvency purposes', 'Capital Management' and other relevant disclosures sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the ('PRA'). As a result, the Solvency and Financial Condition Report may not be suitable for another purpose.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

### **Other information**

The Directors are responsible for the Other Information contained within the Solvency and Financial Condition Report.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the relevant elements of the Solvency and Financial Condition Report themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Directors for the Solvency and Financial Condition Report**

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Solvency and Financial Condition Report, the Directors are responsible for assessing the Company's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor’s responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report**

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are PRA Rules and the Solvency II regulations, requirements of the Financial Conduct Authority (‘FCA’), tax legislation and the Companies Act 2006.
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and Audit Committee; and gained an understanding of the Company’s approach to governance, compliance and internal control.
- We assessed the susceptibility of the Company’s Solvency and Financial Condition Report to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified, or that otherwise seek to prevent, deter, or detect fraud. We also considered areas of significant judgement, and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management



for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with the FCA and PRA.

- The Company operates in the insurance industry which is a highly regulated environment. As such the Audit Engagement Partner has considered the experience and expertise of the engagement team to ensure that the team had appropriate competence and capabilities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's Report on the Solvency and Financial Condition Report.

### Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1(3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Endurance Worldwide Insurance Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DocuSigned by:

*Ernst & Young UK*

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Ernst & Young LLP

London

31 March 2023

### Notes:

1. *The maintenance and integrity of the Sompo International web site, where Endurance Worldwide Insurance Limited's Solvency and Financial Condition Report is uploaded, is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was approved.*

## Appendix 1 – Quantitative reporting templates

The templates are provided as an appendix to this document. The Company is required to disclose the following templates as set out in the Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards, currently retained as UK regulation, with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

<b>Template code</b>	<b>Template name</b>
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses
S.05.02.01	Premiums, claims and expenses by country
S.17.01.02	Non-life technical provisions
S.19.01.21	Non-life insurance claims
S.23.01.01	Own funds
S.25.01.21	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
		C0010
		0
R0030	Intangible assets	2,124
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	14,542
R0060	Property, plant & equipment held for own use	1,295,695
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	0
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	0
R0120	<i>Equities - unlisted</i>	0
R0130	<i>Bonds</i>	1,293,880
R0140	<i>Government Bonds</i>	345,440
R0150	<i>Corporate Bonds</i>	555,061
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	393,378
R0180	<i>Collective Investments Undertakings</i>	1
R0190	<i>Derivatives</i>	1,814
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	0
R0260	<i>Other loans and mortgages</i>	0
R0270	Reinsurance recoverables from:	587,680
R0280	<i>Non-life and health similar to non-life</i>	587,680
R0290	<i>Non-life excluding health</i>	581,123
R0300	<i>Health similar to non-life</i>	6,557
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	0
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	50,143
R0360	Insurance and intermediaries receivables	13,556
R0370	Reinsurance receivables	169,815
R0380	Receivables (trade, not insurance)	11,778
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	69,145
R0420	Any other assets, not elsewhere shown	1,871
R0500	<b>Total assets</b>	<b>2,216,350</b>

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	1,326,044
R0520	<i>Technical provisions - non-life (excluding health)</i>	1,308,629
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	1,216,797
R0550	<i>Risk margin</i>	91,831
R0560	<i>Technical provisions - health (similar to non-life)</i>	17,415
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	15,457
R0590	<i>Risk margin</i>	1,958
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	0
R0640	<i>Risk margin</i>	0
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	0
R0680	<i>Risk margin</i>	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	3
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	3,136
R0830	Reinsurance payables	194,949
R0840	Payables (trade, not insurance)	37,403
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	0
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	1,278
R0900	<b>Total liabilities</b>	<b>1,562,813</b>
R1000	<b>Excess of assets over liabilities</b>	<b>653,537</b>





S.17.01.02

## Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation	
		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
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	<b>Technical provisions calculated as a whole</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Technical provisions calculated as a sum of BE and RM Best estimate</b>																		
<b>Premium provisions</b>																		
R0060	Gross	-72	-1,442	1,253	0		-37,130	-2,318	30,397	-4,362				-233	-11,899	-1,585	2,390	-25,002
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	11	73	-77	0		16,854	-11,611	-7,970	24,856				22	-11,322	839	427	12,101
R0150	<b>Net Best Estimate of Premium Provisions</b>	-84	-1,515	1,330	0		-53,983	9,293	38,367	-29,217				-255	-578	-2,424	1,963	-37,103
<b>Claims provisions</b>																		
R0160	Gross	217	4,756	9,728	0		100,752	360,173	493,609	-15,108				1,250	238,994	15,923	46,963	1,257,257
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	2	3,311	2,878	0		47,331	147,715	261,439	-10,621				337	96,705	6,586	19,898	575,579
R0250	<b>Net Best Estimate of Claims Provisions</b>	215	1,445	6,850	0		53,422	212,458	232,170	-4,487				914	142,289	9,337	27,065	681,678
R0260	<b>Total best estimate - gross</b>	144	3,314	10,981	0		63,622	357,855	524,006	-19,470				1,017	227,094	14,338	49,352	1,232,255
R0270	<b>Total best estimate - net</b>	131	-70	8,180	0		-562	221,751	270,538	-33,704				659	141,711	6,913	29,028	644,575
R0280	<b>Risk margin</b>	62	921	794	0		10,027	22,314	32,595	1,521				182	22,312	388	2,674	93,789
<b>Amount of the transitional on Technical Provisions</b>																		
R0290	Technical Provisions calculated as a whole	0	0	0	0		0	0	0	0				0	0	0	0	0
R0300	Best estimate	0	0	0	0		0	0	0	0				0	0	0	0	0
R0310	Risk margin	0	0	0	0		0	0	0	0				0	0	0	0	0
R0320	<b>Technical provisions - total</b>	206	4,235	11,775	0		73,649	380,169	556,601	-17,949				1,199	249,407	14,725	52,027	1,326,044
R0330	<b>Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total</b>	13	3,384	2,801	0		64,184	136,104	253,468	14,234				358	85,383	7,424	20,325	587,680
R0340	<b>Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total</b>	193	851	8,974	0		9,465	244,065	303,133	-32,183				840	164,024	7,301	31,702	738,364

S.19.01.21

**Non-Life insurance claims**

**Total Non-life business**

Z0020 Accident year / underwriting year

<b>Gross Claims Paid (non-cumulative)</b>														
(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											1,198	1,198	1,198
R0160	2013	503	8,764	2,523	3,072	557	-6	565	1,197	701	612	612	18,487	
R0170	2014	4,142	23,662	5,718	2,561	1,204	2,819	1,907	1,664	930		930	44,606	
R0180	2015	11,250	36,073	48,857	20,258	7,543	1,167	9,245	4,857			4,857	139,250	
R0190	2016	28,531	55,663	32,636	16,990	9,584	14,346	10,540				10,540	168,291	
R0200	2017	21,490	65,425	34,907	21,996	12,528	7,497					7,497	163,844	
R0210	2018	9,789	33,360	33,871	18,628	20,874						20,874	116,522	
R0220	2019	7,942	64,038	68,246	36,908							36,908	177,134	
R0230	2020	39,764	198,835	-25,427								-25,427	213,171	
R0240	2021	37,489	141,369									141,369	178,858	
R0250	2022	45,601										45,601	45,601	
R0260		<b>Total</b>										244,959	1,266,962	

<b>Gross Undiscounted Best Estimate Claims Provisions</b>													
(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											5,928	11,758
R0160	2013	0	0	0	11,758	10,632	9,658	16,122	12,347	6,909	18	3,250	
R0170	2014	0	0	24,093	22,795	16,487	14,300	11,330	10,126	765		6,816	
R0180	2015	0	103,806	49,703	30,770	19,796	22,164	21,118	3,006			13,065	
R0190	2016	135,598	85,626	60,297	38,557	48,129	31,381	23,432				30,408	
R0200	2017	198,715	115,847	83,573	66,577	43,309	42,345					45,309	
R0210	2018	167,286	118,454	90,191	76,703	38,434						52,508	
R0220	2019	181,586	153,772	98,833	33,592							57,956	
R0230	2020	335,773	110,418	58,235								94,613	
R0240	2021	537,671	307,846									335,907	
R0250	2022	556,596										605,666	
R0260		<b>Total</b>										1,257,257	



## S.23.01.01

## Own Funds

## Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
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
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
R0220	<b>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</b>
R0230	<b>Deductions for participations in financial and credit institutions</b>
R0290	<b>Total basic own funds after deductions</b>

## Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
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	<b>Total ancillary own funds</b>

## Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

## SCR

R0600	<b>MCR</b>
R0620	<b>Ratio of Eligible own funds to SCR</b>
R0640	<b>Ratio of Eligible own funds to MCR</b>

## Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	<b>Reconciliation reserve</b>

## Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	<b>Total Expected profits included in future premiums (EPIFP)</b>

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
346,320	346,320		0	
311,920	311,920		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
-6,828	-6,828			
0		0	0	0
2,124				2,124
0	0	0	0	0
0				
0				
653,537	651,413	0	0	2,124

0				
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0

653,537	651,413	0	0	2,124
651,413	651,413	0	0	
653,537	651,413	0	0	2,124
651,413	651,413	0	0	

381,138
132,566
171.47%
491.39%

C0060
653,537
0
660,365
0
-6,828

228,906
228,906

## S.25.01.21

## Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	135,823		
R0020 Counterparty default risk	47,792		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	6,032		
R0050 Non-life underwriting risk	250,775		
R0060 Diversification	-99,143		
R0070 Intangible asset risk	0		
R0100 <b>Basic Solvency Capital Requirement</b>	341,279		
<b>Calculation of Solvency Capital Requirement</b>			
R0130 Operational risk	39,858		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes			
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 <b>Solvency Capital Requirement excluding capital add-on</b>	381,138		
R0210 Capital add-ons already set	0		
R0220 <b>Solvency capital requirement</b>	381,138		
<b>Other information on SCR</b>			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
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		
<b>Approach to tax rate</b>			
R0590 Approach based on average tax rate		Not applicable	
<b>Calculation of loss absorbing capacity of deferred taxes</b>			
		LAC DT	
		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	

## 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

## S.28.01.01

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

<b>Linear formula component for non-life insurance and reinsurance obligations</b>		C0010
R0010	MCR <sub>NL</sub> Result	132,566

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
R0080	Fire and other damage to property insurance and proportional reinsurance
R0090	General liability insurance and proportional reinsurance
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
R0140	Non-proportional health reinsurance
R0150	Non-proportional casualty reinsurance
R0160	Non-proportional marine, aviation and transport reinsurance
R0170	Non-proportional property reinsurance

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
C0020	C0030
131	322
0	6,588
8,180	103
0	0
0	0
0	60,066
221,751	135,801
270,538	145,703
0	11,441
0	0
0	0
0	0
659	1,300
141,711	57,160
6,913	2,764
29,028	3,254

<b>Linear formula component for life insurance and reinsurance obligations</b>		C0040
R0200	MCR <sub>L</sub> Result	0

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

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
C0050	C0060
0	
0	
0	
0	
	0

<b>Overall MCR calculation</b>		C0070
R0300	Linear MCR	132,566
R0310	SCR	381,138
R0320	MCR cap	171,512
R0330	MCR floor	95,284
R0340	Combined MCR	132,566
R0350	Absolute floor of the MCR	3,966
R0400	<b>Minimum Capital Requirement</b>	132,566