Tokio Marine Europe S.A.

Solvency and Financial Condition Report

31 December 2022

Contents

Executive Summary

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

Business & Performance Summary

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

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

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

TME's business philosophy is to produce an underwriting profit and investment income resulting in consistent net earnings which will increase shareholder value. In order to achieve this, TME's strategy is centred on selective and focused management of a diversified portfolio of businesses; continued expansion of its brand throughout Europe; identification and development of opportunities to grow its business; and maintenance of the management, organisational and governance structure which is appropriate for and supports the growing business.

A summary of the key financial information for the years ending 31 December 2022 and 31 December 2021 for TME can be seen below:

31 December 2022	2022 $'000	2021 $'000
Gross Written Premium (GWP)	607,636	588,337
Net Premium Earned	201,014	159,385
Underwriting Result (Technical Account pre investment income)	17,396	5,730
Net Loss Ratio	60%	62%
Net Combined Ratio	91%	96%
Investment Income (Transferred to technical account)	6,457	4,495
Profit on ordinary activities before tax	4,712	6,000
Solvency II Cash and investments	500,025	372,124
Solvency II Own Funds	225,334	210,127

TME made a profit before tax for the financial year of $4.7 million (2021: $6.0 million) and includes a balance on the technical account for general business of $23.9 million (2021: $10.2 million) which included investment income of $6.5 million (2021: $4.5 million). Investment income transferred to the technical account is comprised principally of earned investment income reflecting TME's approach to managing earned income.

The balance on the technical account excluding investment income is $17.4 million (2021: $5.7 million), with TME achieving a combined ratio of 91.3% (2021: 96.4%).

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

System of Governance Summary

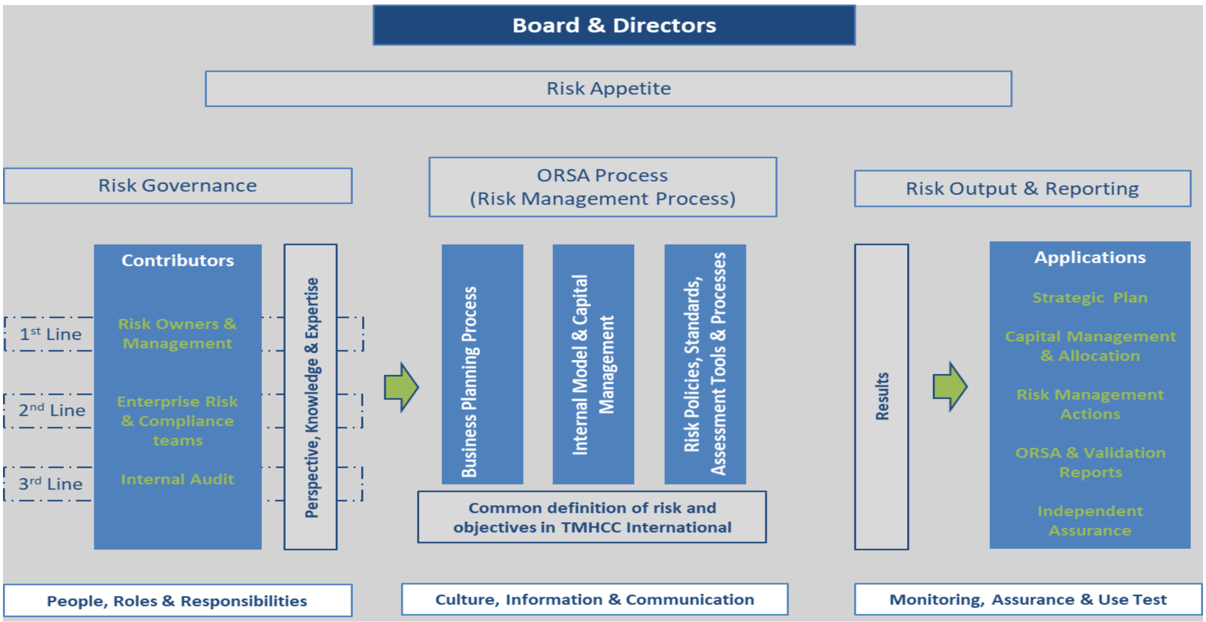
All authority in TME flows from the Board but it delegates certain responsibilities to Board committees and these duties are set out in their respective terms of reference. Each year the overall governance structure and the terms of reference are reviewed to ensure they remain both up to date and appropriate.

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

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

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

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



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

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

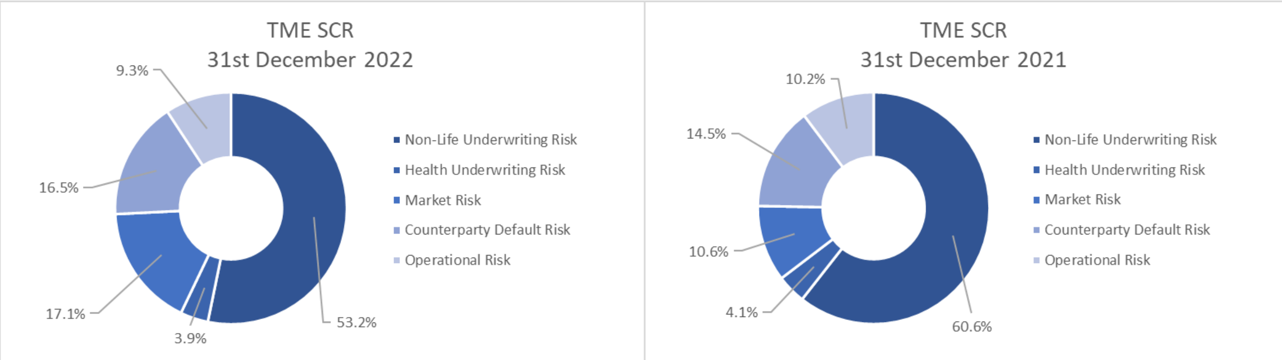
Risk Profile Summary

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

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

TME has seen increases in Underwriting and Market risks in the year. Underwriting risk increase is principally driven by projected growth in the business. The increase in Market risk is due to growth in the bond portfolio.

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



Excluding the changes in Underwriting and Market risk discussed above, the risk profile of TME was generally stable over the year. Specific risks, beyond the existing and established principal risks, that have the potential to impact, or require a review of, the existing strategic objectives include interest rate volatility, the Ukraine conflict, sustainability risk (including climate change), inflation, outsourcing and supplier management and operational resilience.

Valuation for Solvency Purposes Summary

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

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

BALANCE SHEET UNDER SOLVENCY II 31 December 2022	TME LUX GAAP	TME Solvency II
ASSETS		
Investments	484,865	454,807
Deferred tax assets	-	6,623
Deferred acquisition costs	42,361	-
Property, plant & equipment held for own use	1,913	1,913
Reinsurance recoverables from non-life	871,072	590,559
Insurance and intermediaries receivables	147,776	66,935
Reinsurance receivables	92,985	61,312
Receivables (trade, not insurance)	22,459	22,459
Cash and cash equivalents	45,218	45,218
Any other assets, not elsewhere shown	3,490	700
Total assets	**1,712,139**	**1,250,526**

LIABILITIES		
Technical provisions - non-life	1,101,012	720,708
Deferred tax liabilities	60	-
Insurance & intermediaries payables	29,592	29,592
Reinsurance payables	181,094	141,149
Payables (trade, not insurance)	25,233	25,233
Any other liabilities, not elsewhere shown	150,777	108,510
Total liabilities	**1,487,768**	**1,025,192**
Excess of assets over liabilities	**224,371**	**225,334**

The differences in technical provisions and Deferred acquisition costs (DAC) are principally driven by differences in valuation methodologies between LUX GAAP and Solvency II, while differences in investments and receivables are as a result of classification differences.

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

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

Capital Management Summary

TME currently uses the Standard Formula to calculate the SCR.

The position at 31 December 2022 and prior year is shown below:

Eligible own funds to cover capital requirements $'000	**TME 2022**	**TME 2021**
Solvency II Own Funds	225,334	210,127
SCR	181,115	157,412
Minimum Capital Requirement (MCR)	45,279	40,716
Excess Own Funds over SCR	44,219	52,715
Excess Own Funds over MCR	180,055	169,411
Solvency Ratio (i.e. Solvency II Own Funds / SCR)	124%	133%
Solvency II Own Funds as a Percentage of MCR	483%	516%

TME remains strongly capitalised and benefits from an S&P rating of A+. All the Solvency II Own Funds shown in the table above fall under ‘Tier 1 unrestricted’ classification, with the exception of a deferred tax asset (qualifies as Tier 3).

The solvency ratio decreased from 133% to 124% in the year, driven by the increase in the SCR in 2022, offset by the growth in Own Funds. The SCR has increased due to the increase in business volumes in the year and in the 2023 budget, flowing into the Non-life Premium and Reserve risk sub-module in the Standard Formula. Eligible Own Funds have increased due to a capital contribution of $20.0 million from its parent company (2021: $50.0 million) and capital generated during the year, offset by unrealised losses of $40.0 million. Unrealised losses on TME during 2022 were driven by rising inflation and tightening money policy by the US FED, affecting the value of fixed rate bonds.

There were no instances of non-compliance with the MCR or SCR during the period from 1 January 2022 to 31 December 2022.

Section A – Business and Performance

A1 – Business

Business Structure

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

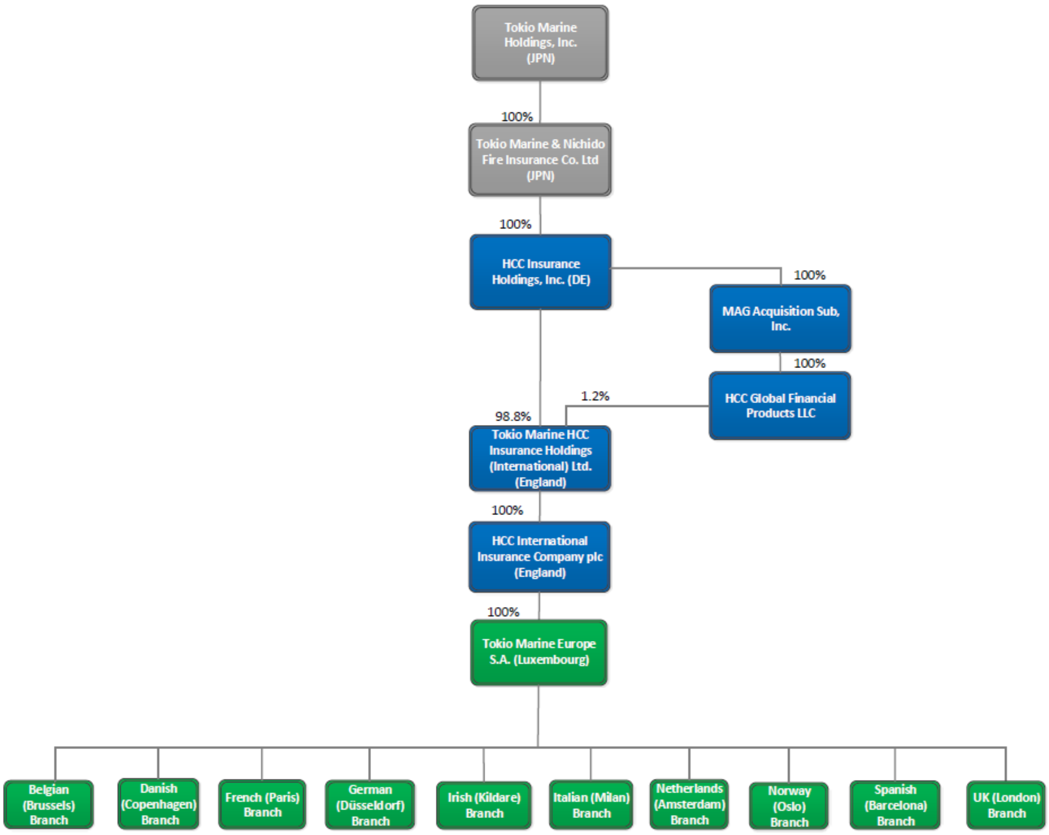
TME is a wholly owned subsidiary of HCCII, a UK Insurance Company. HCCII is authorised by the PRA and regulated by the FCA.

HCCII and its subsidiaries, including TME, form part of the TM Group, whose ultimate holding company is Tokio Marine Holdings, Inc. TM Group is a leading international insurance group located in Tokyo, Japan which has 268 subsidiaries, and 26 affiliates located worldwide, which undertake non-life and life insurance and operate within the financial and general business sector (including consulting and real estate). As of 31 December 2022, TM Group had total assets of ¥28.6 trillion (December 2021: ¥27.1 trillion) and shareholders' equity of ¥2.1 trillion (December 2021: ¥2.1 trillion). TM Group and a number of its major insurance companies have a financial strength rating of A+ (Stable) from S&P.

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

The legal structure shown below outlines TME's parent company structure with TM Group entities shown in grey, Tokio Marine HCC Group (TMHCC Group) entities shown in blue and TME and its branch network shown in green.

TME Legal Structure



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

TME's parent HCCII is the flagship entity for TMHCC International and HCCII and TME have standalone S&P ratings of A+.

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

TME's business is underwritten through its branches in Spain, Ireland, France, Germany, Italy, Denmark, Belgium, Norway, Netherlands and on a freedom of services basis in the remaining EU member states. Following the UK's exit from the EU on 31 January 2020 and the end of the transition period on 31 December 2020, (from 1 January 2021) any EEA risks presented in the London Market and/or previously written by the UK branch, have been written by TME's EEA branches from 1 January 2021, utilising the expertise of the specialist underwriters in the UK through the TME UK branch.

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

Business Model

TME's principal activity is to underwrite non-life insurance and reinsurance business. In 2022, TME underwrote business through three core underwriting segments: International Specialty; London Market and Japanese Business ('J Business').

The International Specialty segment is comprised of:

- Financial Lines;
- Professional Risks;
- Credit and Political Risk;
- Surety;
- Contingency (including Disability); and
- Marine Transport business.

The London Market segment includes the following:

- Marine & Energy;
- Property Treaty;
- Property Direct and Facultative;
- Accident and Health; and
- Delegated Property.

The J Business segment consists of commercial insurance coverage provided to Japanese corporate clients in respect of their overseas business interests, including:

- J Business Property;
- J Business Marine & Aviation; and
- J Business Liability.

This business is 100% ceded back to Tokio Marine Nichido Fire & Marine (TMNF).

Business Strategy

TME's business philosophy is to produce an underwriting profit and investment income resulting in consistent net earnings which will increase shareholder value. In order to achieve this, TME's strategy is centred on selective and focused management of a diversified portfolio of businesses; continued expansion of its brand throughout Europe; identification and development of opportunities to grow its business; and maintenance of the management, organisational and governance structure which is appropriate for and supports the growing business. TME supports the strategic goals of TMHCC International as a platform to write EEA Specialty Insurance Business.

TME places external and intercompany reinsurance arrangements on lines of business that would otherwise fall outside TME's risk appetite, due to business mix, volatility, or line sizes. External reinsurance is purchased by line of business on a shared basis for the TM HCC International insurance platforms and is comprised of excess of loss (XoL), QS and facultative covers. Reinsurance premiums for XoL programmes are allocated across the platforms based on gross written premium, while reinsurance recoveries are allocated based on the share of gross claims suffered by each entity. To protect TME from large loss volatility a whole account XoL cover is in place with HCCII. The reinsurance programme is a key element of TME's risk mitigation and capital management strategy. The reinsurance structure is submitted to and approved by the Board of Directors annually.

A2 Financial Performance

A2.1 Financial Performance Summary

A summary of Key Financials for the year ended 31 December 2022 and prior year, for TME can be seen below:

TME	2022 $'000	2021 $'000
Gross Written Premium (GWP)	607,636	588,337
Net Premium Earned	201,014	159,385
Underwriting Result (Technical Account pre investment income)	17,396	5,730
Net Loss Ratio	60%	62%
Combined Ratio	91%	96%
Investment Income (Transferred to technical account)	6,457	4,495
Profit on ordinary activities before tax	4,712	6,000
Solvency II Cash and investments (excluding investment in subs and land and buildings)	500,025	372,124
Solvency II Own Funds	225,334	210,127

TME made a profit before tax for the financial year of $4.7 million (2021: $6.0 million) of which $23.9 million (2021: $10.2 million) was from the technical account for general business which included investment income of $6.5 million (2021: $4.5 million). Investment income transferred to the technical account is comprised principally of earned investment income reflecting TME's approach to managing earned income.

The balance on the underwriting account excluding investment income is $17.4 million (2021: $5.7 million), with TME achieving a combined ratio of 91.3% (2021: 96.4%).

The non-technical account includes other charges valuing $19.1 million (2021: $4.2 million) including a foreign exchange loss of $12.8 million (2021: gain of $0.9 million) and $6.3 million corporate oversight charges (2021: $5.1 million).

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

A2.2 Underwriting Performance by Line of Business

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

The Specialty segment benefitted from continued organic growth in Financial Lines and Professional Risks. Foreign exchange has been a net benefit for the segment, somewhat limiting the underwriting margin but having a more significant impact on operating expenses. This has resulted in a profit of $17.4 million in 2022 (2021 $25.4 million), with the current year impacted by Surety loss activity.

The London Market segment incurred a negative underwriting result of $2.0 million (2021: negative $16.6 million), reflecting significant reserve strengthening in the fourth quarter, following heavy attritional loss experience in the year, particularly in Property Treaty and Gcube Underwriting Limited (Gcube). The significant improvement from prior year reflects the impact of EU Floods on the 2021 result.

J Business segment contributed $4.5 million (2021: $3.6 million) to the technical results. Given the nature and complexity of the J Business and its importance to the larger global portfolio, the business is fully ceded to TMNF and the contribution to the technical result represents the override which is set to achieve a profit for TME, covering the acquisition and operating costs of the business. The growth in the year reflects a shift in business mix towards treaties where TME received a higher internal commission. The result on other run-off business was a loss of $1.9 million (2021 $6.5 million loss) with the prior year result driven by reserve strengthening on the French Tokio Marine Speciality Lines business

A summary of the Underwriting Result for TME by LOB for the year ended 31 December 2022 and prior year, is as follows:

TME 31 December 2022	Gross Written Premium $'000	Net Earned Premium $'000	Net Loss Ratio %	Underwriting Result $'000
Specialty				
Financial Lines	205,796	160	686%	9,502
Surety	45,413	44,737	52%	3,805
Contingency & Disability	37,940	16,651	54%	2,118
Credit & Political Risk	14,806	13,342	67%	48
Professional Risks	12,800	10,617	41%	1,917
Other Specialty	39,280	30,575	55%	(2,494)
Total Specialty	**356,035**	**116,082**	**54%**	**14,896**
London Market				
Property Treaty	36,428	25,076	64%	492
Marine & Energy	41,716	34,157	62%	2,862
Delegated Property	10,915	7,510	58%	(130)
Accident & Health	43,114	18,189	72%	(5,240)
Total London Market	**132,173**	**84,932**	**64%**	**(2,016)**
Total J Business	**119,428**	**-**	**0%**	**4,516**
Total	**607,636**	**201,014**	**60%**	**17,396**

TME 31 December 2021	Gross Written Premium $'000	Net Earned Premium $'000	Net Loss Ratio % %	Underwriting Result $'000
Specialty				
Financial Lines	191,269	37	-	10,567
Surety	48,502	41,469	45%	7,074
Contingency & Disability	39,178	13,763	40%	1,576
Credit & Political Risk	14,978	12,632	21%	6,704
Professional Risks	10,368	6,660	47%	865
Other Specialty	36,568	26,677	75%	(8,070)
Total Specialty	**340,863**	**101,229**	**51%**	**18,716**
London Market				
Property Treaty	31,157	12,670	262%	(28,393)
Marine & Energy	76,060	37,330	26%	12,989
Delegated Property	4,102	3,598	25%	1,102
Accident & Health	6,254	4,558	60%	(2,319)
Total London Market	**117,568**	**58,156**	**80%**	**(16,621)**
Total J Business	**129,906**	**-**	**-**	**3,635**
Total	**588,337**	**159,385**	**62%**	**5,730**

A2.3 Branch Performance

TME's business is underwritten through its branches in Spain, Ireland, France, Germany, Italy, Denmark, Belgium, Norway, Netherlands and on a freedom of services basis in the remaining EU member states. Following the UK's exit from the EU on 31 January 2020 and the end of the transition period on 31 December 2020, any EEA risks presented in the London Market and/or previously written by the UK branch, have been written by TME's EEA branches from 1 January 2021, utilising the expertise of the specialist underwriters in the UK through the TME UK branch.

During 2022, TME applied to the PRA for permission to operate the TME UK Branch as a third country branch in the UK. This permission was approved by the PRA in September 2022. As part of the application, TME applied for a modification by consent to exclude risks that are not located in the UK when calculating regulatory financial information and this was approved by the PRA in July 2022.

TME	Ireland	Switzer-land	France	Spain	Germany	Italy	Nether-lands	Belgium	Den-mark	UK
31 December 2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
SPECIALTY										
Financial Lines	-	13,623	-	167,453	25,223	13,252	-	(16)	-	(117)
Surety	10,673	-	2,584	731	13,603	7,065	3,866	-	5,492	-
Contingency & Disability	-	387	24,385	-	6,170	-	-	12,599	-	(5,213)
Credit & Political Risk	1,621	2,488	9,753	-	-	-	-	-	-	3,433
Professional Risks	12,898	32	-	-	-	-	-	-	-	(98)
Other Specialty	-	1,024	33,993	1,919	556	-	(29)	-	-	73
Total Specialty	**25,192**	**17,554**	**70,715**	**170,103**	**45,552**	**20,317**	**3,837**	**12,583**	**5,492**	**(1,922)**
Total London Market	**-**	**1,470**	**-**	**18,554**	**-**	**-**	**18,100**	**-**	**-**	**2,087**
Total J Business	**-**	**-**	**16,589**	**5,567**	**61,448**	**5,925**	**11,414**	**18,485**	**-**	**-**
Total	**25,192**	**19,024**	**87,304**	**194,224**	**107,000**	**26,242**	**33,351**	**31,068**	**5,492**	**165**

TME 31 December 2021	Ireland $'000	Switzer-land $'000	France $'000	Spain $'000	Germany $'000	Italy $'000	Nether-lands $'000	Belgium $'000	Den-Mark $'000	UK $'000
SPECIALTY										
Financial Lines	-	21,459	-	168,654	12,333	9,623	-	377	-	282
Surety	13,725	-	4,863	1,045	13,364	6,808	2,591	-	4,947	-
Contingency & Disability	-	443	23,596	-	1,910	-	-	10,738	-	2,280
Credit & Political Risk	2,137	2,904	7,698	-	-	-	-	-	-	5,142
Professional Risks	9,815	50	-	-	-	-	-	-	-	553
Other Specialty	-	980	32,606	1,754	769	-	-	-	-	233
Total Specialty	**25,677**	**25,836**	**68,763**	**171,453**	**28,376**	**16,431**	**2,591**	**11,115**	**4,947**	**8,490**
Total London Market	**-**	**1,697**	**-**	**4,465**	**-**	**-**	**20**	**-**	**-**	**-**
Total J-Business	**-**	**-**	**16,545**	**5,080**	**71,638**	**6,696**	**12,013**	**17,935**	**-**	**-**
Total	**25,677**	**27,533**	**85,308**	**180,997**	**100,014**	**23,127**	**14,624**	**29,050**	**4,947**	**12,463**

A2.4 Underwriting Performance by Solvency II LOB

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

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

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

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

J Business	Non-proportional property reinsurance Direct & Proportional Fire and other damage to property insurance Direct & Proportional marine, aviation and transport insurance Non-proportional marine, aviation and transport reinsurance

The GWP and underwriting results of the top five Solvency II lines, for the years ending 31 December 2022 and 31 December 2021 for TME, is as follows:

TME 31 December 2022	General Liability insurance $'000	Marine, aviation and transport $'000	Property $'000	Credit and suretyship insurance $'000	Non-Prop Property $'000	Other $'000	Total $'000
Gross Written Premium	**216,621**	**124,663**	**96,881**	**53,762**	**40,543**	**75,165**	**607,636**
Net Earned Premium	10,014	64,427	17,137	49,164	33,109	27,165	201,014
Net Claims	(5,176)	(18,564)	(14,973)	(31,733)	(16,630)	(30,716)	(117,793)
Net Expenses	(695)	(22,885)	(15,087)	(15,087)	(10,266)	(7,551)	(65,826)
Underwriting Result	**4,143**	**22,978**	**(7,179)**	**2,344**	**6,121**	**(11,103)**	**17,396**

TME 31 December 2021	General liability insurance $'000	Marine, aviation and transport $'000	Property $'000	Credit and suretyship insurance $'000	Non-Prop Property $'000	Other $'000	Total $'000
Gross Written Premium	**207,287**	**127,507**	**84,805**	**58,352**	**43,425**	**66,961**	**588,337**
Net Earned Premium	5,684	45,737	19,805	48,990	17,956	21,213	159,385
Net Claims	(15,964)	(17,195)	(9,911)	(7,369)	(33,978)	(15,022)	(99,439)
Net Expenses	11,515	(23,824)	(7,452)	(14,683)	(8,891)	(10,881)	(54,216)
Underwriting Result	**1,235**	**4,718**	**2,442**	**26,938**	**(24,913)**	**(4,690)**	**5,730**

General Liability

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

Professional Risks includes Professional Indemnity and Liability business which has seen organic growth during the year.

Financial Lines gross premium written increased to $205.8 million, driven by significant growth in the Cyber book with the rating environment in the rest of the book beginning to look less favourable.

Marine, Aviation and Transport

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

Marine & Energy gross premiums written was $79.3 million (2021 $76.0 million). This business includes Marine Hull, Cargo and Liability along with traditional and renewable (Gcube) Energy lines. The majority of lines have benefited from modest premium growth as a result of a favourable ratings environment. Gcube has declined slightly due to increased competition in this market.

Credit and Suretyship

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

Credit & Political Risk gross premiums written was $14.8 million (2021 $15.0 million) which is broadly unchanged from the previous year with a slight negative impact from foreign exchange.

Surety gross premiums written was $44.8 million (2021 $48.5 million). The reduction reflects the impact of foreign exchange on top line in the year in addition to the challenging economic climate.

Contingency gross premiums written increased to $40.8 million (2021 $39.2 million) reflecting a slight recovery from the impact of the Covid-19 Pandemic.

Property

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

Property Treaty gross premiums written was $36.4 million (2021 $31.2 million) and the portfolio is comprised principally of Non-US XoL reinsurance business. The strategy of participation on high programme layers and strong client relationships creates a competitive advantage and combined with a sustainable reinsurance programme is producing profitable results. The year on year growth reflects improvements in the rating environment.

Delegated Property was a new LOB in 2020, writing $10.9 million in 2022 (2021 $4.1 million) of premium on TME. This business primarily consists of risk attaching binders and is expected to continue to grow, with significant new business wins in 2022.

Japanese Business (J Business) gross premiums written was $119.4 million (2021 $129.9 million) of Japanese Property; Marine & Aviation; and Liability business, with the reduction primarily driven by foreign exchange.

Other

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

A2.5 Underwriting Performance by Solvency II Geographic Location

The following, in conformity with Solvency II requirements whereby the 'geographic location' is defined by either underwriter or risk location dependent upon type of business, the following provides the GWP and underwriting results of key locations by geographic location, for the years ending 31 December 2022 and 31 December 2021:

31 December 2022	Luxembourg $'000	Spain $'000	France $'000	Germany $'000	United Kingdom $'000	Italy $'000	Other[1] $'000	Total $'000
Gross Written Premium	**4,020**	**188,691**	**87,494**	**98,376**	**50,121**	**34,278**	**144,657**	**607,636**
Net Earned Premium	507	17,558	57,439	29,283	22,222	12,028	61,977	201,014
Net Claims	(6,097)	(37,626)	(14,214)	(28,210)	(16,894)	(3,431)	(11,321)	(117,793)
Net Expenses	(772)	1,171	(22,811)	(1,583)	(12,452)	(1,604)	(27,775)	(65,826)
Underwriting Result	**(6,362)**	**(18,897)**	**20,414**	**(510)**	**(7,124)**	**6,993**	**22,881**	**17,395**

[1] Material countries within 'Other' include Netherlands of $29.7 million, Belgium of $27.3 million and Ireland $20.7 million. Thereafter, there are a number of smaller countries equate for the remaining 10% of GWP.

31 December 2021	Luxem-bourg $'000	Spain $'000	France $'000	Germany $'000	United Kingdom $'000	Italy $'000	Other[1] $'000	Total $'000
Gross Written Premium	**6,511**	**196,133**	**97,484**	**81,936**	**31,998**	**31,147**	**143,128**	**588,337**
Net Earned Premium	3,818	18,881	15,780	50,618	11,565	10,408	48,315	159,385
Net Claims	(326)	(20,004)	(29,024)	(13,996)	(8,317)	(2,745)	(25,027)	(99,439)
Net Expenses	(1,526)	4,144	(4,716)	(23,011)	(8,139)	(2,178)	(18,790)	(54,216)
Underwriting Result	**1,966**	**3,021**	**(17,960)**	**13,611**	**(4,891)**	**5,485**	**4,498**	**5,730**

[1] Material countries within 'Other' include Netherlands of $26.5 million, Ireland of $24.1 million and Denmark of $21.9 million and Ireland of $21.5 million. Thereafter, there are a number of smaller countries equate for the remaining 10% of GWP.

A3 Investment Performance

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

TME's investment strategy is to invest in investment grade fixed and variable interest rate debt securities and units in unit trusts.

For the period ended 31 December 2022, the investment result is a net gain amounting to $6.5 million (2021: $4.5 million). As at 31 December 2022 TME holds European, UK, Japanese and US corporate bonds and other fixed income securities.

The performance of TME's portfolio under LUX GAAP, for the year ended 31 December 2022 and prior year, is as follows:

Asset Classes 31 December 2022	Gross Investment Income $'000	Realised Gains and Losses $'000	Technical Earned Investment Income $'000	Unrealised Gains and Losses $'000	Total Earned Investment Income $'000
Corporate Bonds	4,088	77	4,165	-	4,165
Government Bonds	2,112	-	2,112	-	2,112
Collective Investment Undertakings	-	-	-	-	-
Equity Instruments	-	-	-	-	-
Collateralised Securities	550	-	550	-	550
Short term deposits	71	-	71	-	71
Total	**6,821**	**77**	**6,898**	**-**	**6,898**
Investment Expense			(491)		(491)
Technical Earned Investment Income			**6,407**		**6,407**
Bank Interest					50
Total Earned Investment Income					**6,457**

Asset Classes 31 December 2021	Gross Investment Income $'000	Realised Gains and Losses $'000	Technical Earned Investment Income $'000	Unrealised Gains and Losses $'000	Total Earned Investment Income $'000
Corporate Bonds	2,339	147	2,486	-	2,486
Government Bonds	1,753	81	1,834	-	1,834
Collective Investment Undertakings	-	-	-	-	-
Equity Instruments	-	-	-	-	-
Collateralised Securities	539	(4)	535	-	535
Short term deposits	(33)	-	(33)	-	(33)
Total	**4,598**	**224**	**4,822**	**-**	**4,822**
Investment Expense			(328)		(328)
Technical Earned Investment Income			**4,494**		**4,494**
Bank Interest					1
Total Earned Investment Income					**4,495**

A4 Performance of Other Activities

A4.1 Other Material Income and Expenses

For the year ended 31 December 2022, the non-technical account includes other charges valuing $19.1 million (2021: $4.2 million) including a foreign exchange loss of $12.8 million (2021: gain of $0.9 million) and $6.3 million corporate oversight charges (2021: $5.1 million).

A5 – Any Other Information

There is no other material information to be disclosed.

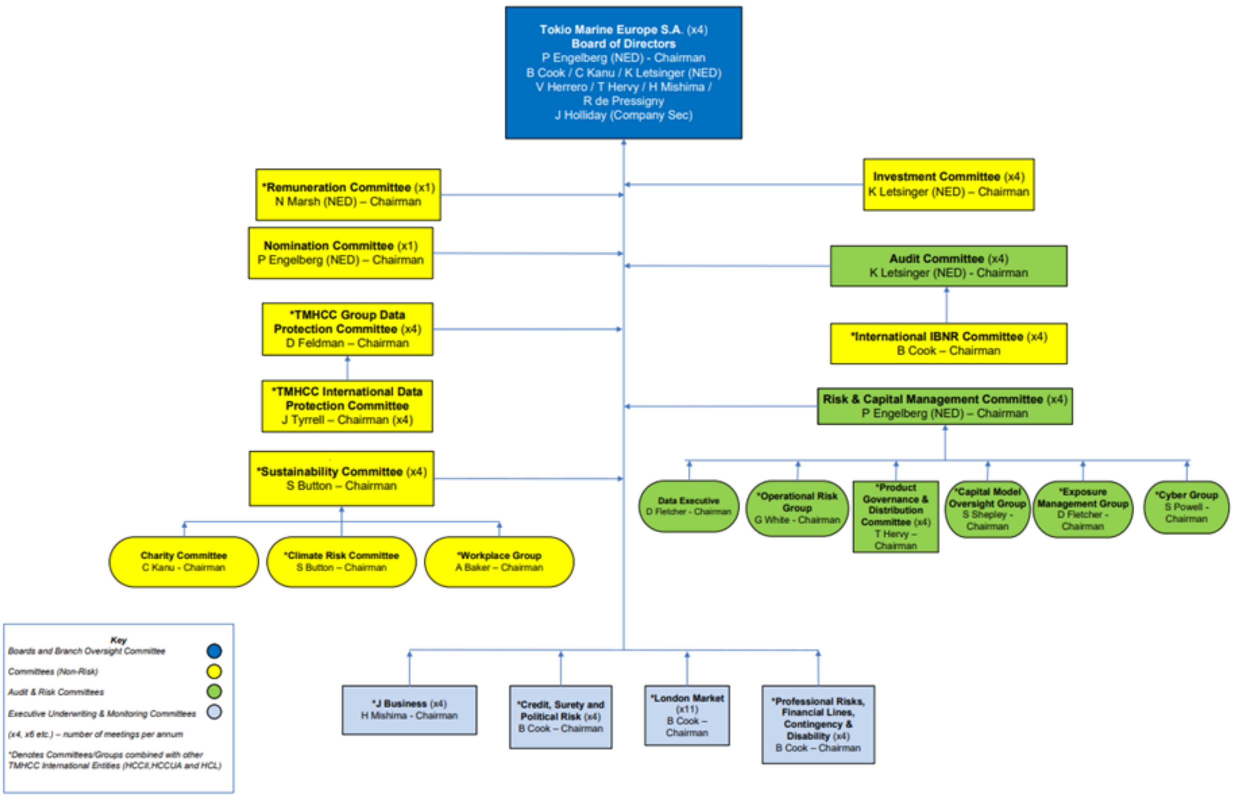
Section B – System of Governance

B1 General Information on the System of Governance

B1.1 Overview of TME's Board, Committee Structure and Key Functions

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

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



Board of Directors

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

The principal functions of the Board are to:

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

- define the TME's corporate and social obligations, ensuring it acts as a 'Good Company', having due regard for the environment in which it operates in, and monitoring its non-financial risks, including social, societal and environmental;

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

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

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

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

Audit Committee

The main responsibilities of the Audit Committee are to:

- receive reports from the external auditors;
- review and recommend to the Board the annual financial statements of TME;
- review the quarterly reserve recommendations from the IBNR (Incurred but not reported) Committee;
- review and update the arrangements for Internal Audit;
- approve the annual Internal Audit Plan and monitor progress; and
- receive and approve Internal Audit reports.

Risk & Capital Management Committee

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

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

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

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

- <u>Capital Model Oversight Group</u>: to monitor TME's capital model, including output, use, development and validation. The model includes both the Economic Capital Model (ECM) and the Standard Formula.

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

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

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

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

- Product Governance & Distribution Committee: ensuring effective oversight of product development, implementation and ongoing product management during the product lifecycle; that TME can achieve compliance with its regulatory obligations, in particular, PRIN 2, 3, 6, 7 and 12 and Insurance Distribution Directive; proportionately; to promote and support the delivery of the six Treating Customers Fairly outcomes; ensuring that product control, conduct risk and Treating Customers Fairly are prioritised, embedded within and central to TME's culture; and developing, maintaining and monitoring the Product Control Framework.

Investment Committee

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

- to ensure that the funds of TME are invested in accordance with its strategy and policy;
- to review annually, the investment performance, strategy and policies for TME ;
- to ensure the Investment Strategy and policies for TME are consistent with the Tokio Marine HCC International and Tokio Marine HCC Group Investment Strategy and policies, and remain appropriate; and
- to ensure funds are invested in accordance with Prudent Person Principal.
- to ensure that the Company's investment strategy and policy conforms, where applicable, to CAA, and EU regulatory requirements, and that investments decisions take into account sustainability factors in accordance with the prudent person principle;
- to ensure that bases of valuations reported by the Investment Managers conform to CAA and EU requirements;
- where appropriate, and different to Tokio Marine HCC Group policy, to determine the levels of investment in, and the maximum exposures to, individual investments;
- to determine the setting of appropriate investment risk metrics to monitor the performance of investments;
- to monitor, on a quarterly basis, the performance of the investment metrics;
- to review cases where investments fall out of compliance with the guidelines and consider whether a waiver to the guidelines is appropriate for that investment; and
- to monitor investment performance, including the performance of outside Investment Managers;
- to recommend annually to the the Investment Risk Metrics;
- to ensure that the authorities granted to individuals concerned in the operation of the investment portfolios are appropriate to the needs of the relevant entity and conform to regulatory requirements as regards relationships with both Investment Managers and custodians;
- integrate sustainability risks in the prudent person principle when identifying, measuring, monitoring, controlling, reporting and assessing risks arising from investment; and
- to consider the potential long-term impact of the investment strategy, with the strategy reflecting the sustainability preferences of its customers; and consider sustainability risks, being environmental, social or governance events or

conditions that, if occurs, could cause an actual or a potential negative impact of the value of the investment or on the value of the liability.

TMHCC Group Data Protection Committee

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

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

Executive Underwriting Monitoring Committees

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

- review the LOB performance against budget;
- consider the rating, market and loss environments and any impacts on the Group's business;
- monitor the Key Performance Indicators and risk metrics for each LOB; and
- review claims and IBNR for each LOB.

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

Nomination Committee

The main responsibilities of the Nomination Committee are to:

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

Remuneration Committee

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

Sustainability Committee

The main responsibilities of the Committee are to:

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

UK Branch Oversight Committee

The UK Branch Oversight Committee's responsibilities will include:

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

Key Functions

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

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

B1.2 Remuneration Policy

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

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

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

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

B1.3 Assessment of Adequacy of the System of Governance

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

B2 Fit and Proper Requirements

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

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

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

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

B3 Risk Management System including the Own Risk and Solvency Assessment

B3.1 Risk Management Strategy and Objectives

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

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

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

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

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

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

TME's strategic risk objectives are:

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

Additionally, TME maintains the following objectives:

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

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

TME's strategy for managing its risk is to:

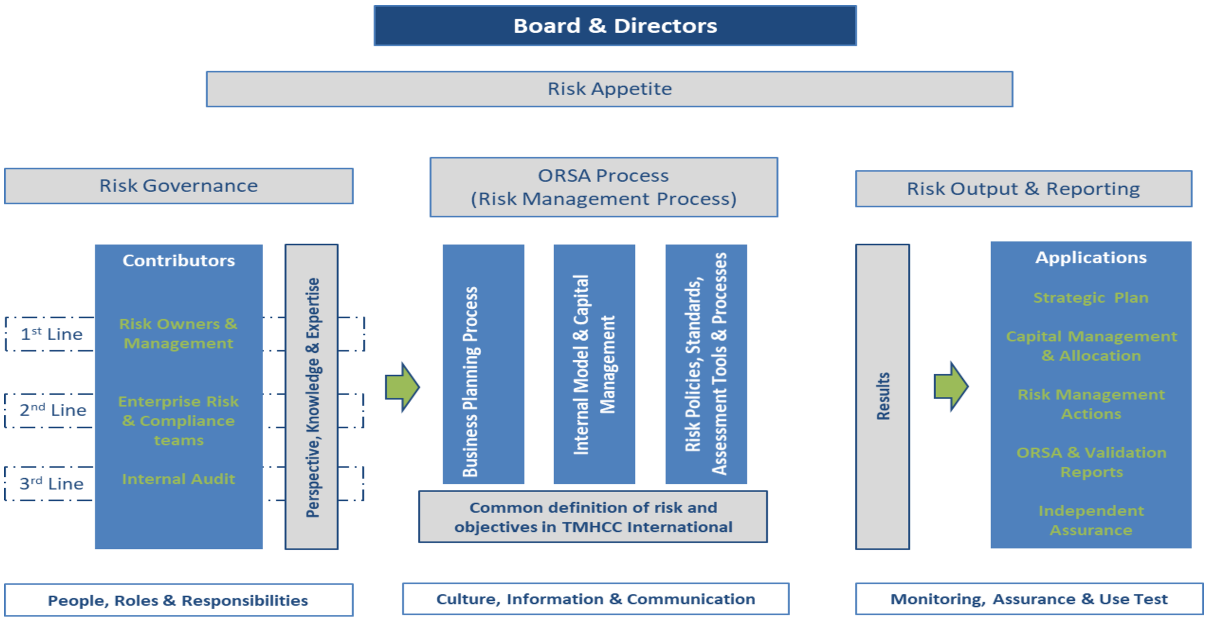
- Adopt an integrated approach to risk management through the processes and structures detailed in the Risk Strategy & Risk Management Policy.
- Accept that whilst the business operation cannot be risk free, we will aim to manage risk to a desired level and minimise the adverse effects of any residual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

B3.2 Risk Management and Control

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

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

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



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

Risk Identification

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

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

Risk Register

TME has a central risk register, as well as individual branch registers, which ensure all identified risks are described in a consistent and structured format to facilitate the assessment process. The registers are divided into high level risk categories which assist with transparency and clarity when analysing risks at both a company level and branch level. The grouping of risks helps the Enterprise Risk team to aggregate and map similar kinds of risk across departments or locations, document management responsibilities both for the ownership of risk and the mitigation activities to control said risk.

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

Risk Policies

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

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

Risk Appetite, Tolerances and Limits

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

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

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

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

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

Risk Monitoring and Review

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

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

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

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

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

Stress and Scenario Testing

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

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

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

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

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

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

Solvency Capital Management

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

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

Own Risk and Solvency Assessment

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

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

Specifically, the central risk register, as well as individual branch registers, are maintained and updated quarterly with input from designated risk and control owners. This provides the executive management team and the Board with a view of the risk profile on a regular basis, affording early opportunities to take management action if the current profile is diverging from the business strategy.

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

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

Stakeholder	Selected Responsibilities
Board	• Review and approve the ORSA Policy • Review and approve the ORSA report on an annual basis which constitutes the formal ORSA sign-off • Setting the overall business strategy and direction • Setting risk appetite for the business
RCMC	The TME Board delegates risk management oversight and monitoring activities to this committee. The committee is the primary forum for challenging both the ORSA content and process, in order to recommend approval of the ORSA Policy and ORSA Report to the Boards. Quarterly ORSA Reports are also reviewed by the committee.
Executive	• Engendering a positive risk culture • Ensure appropriate governance, committee structure and escalation procedures such that risks can be monitored and managed • Agree future plans for the LOBs based on current strategy and outputs from ORSA processes • Engage on stress tests, RSTs and emerging risks

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

Own Risk and Solvency Assessment Report

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

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

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

B4 Internal Control System

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

B4.1 Internal Audit Assurance

The control environment includes policies, procedures and operational systems and processes in place. The internal audit annual plan provides assurance over the internal control environment. This plan is approved by the Audit Committee on an annual basis and the findings are presented to the Audit Committee and management through Internal Audit reports which include an overall assurance rating. In addition to our risk-based internal audit program, we also conduct internal controls tests on behalf of management. These tests meet our requirements under JSOX, providing a good level of assurance by verifying that the key controls are operating as intended. A total of 84 controls (58 business processes and 26 IT controls) across eight key cycles were tested in 2022.

B4.2 Compliance Function

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

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

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

The Compliance Policy defines responsibilities, competencies and reporting duties of the Compliance function there were no changes to the policy during this reporting period.

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

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

B5 Internal Audit Function

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

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

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

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

B5.1 Audit Charter

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

B5.2 Audit Independence

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

The TME internal audit team has embedded the TMHCC audit methodology, which covers also the JSOX requirements, RAP retesting and the new audit software (AuditBoard). The TMHCC International internal audit team will continue to provide support in 2023 to their TME internal audit colleagues, given their historical knowledge of the business, its systems and its people. There is close co-ordination and co-operation between the internal audit teams on a number of joint / combined internal audits planned for 2023.

The work of the internal audit department is available for review each year by the external auditors, PwC, as part of their statutory year-end audit work. Furthermore, internal auditors who work in the department do not have direct operational responsibility over, or responsibility for, any of the activities being reviewed. Any new employee of the audit department who previously worked in another area of the organisation will be prohibited from reviewing the activities they were once responsible for, for a minimum of one year.

B6 Actuarial Function

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

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

B7 Outsourcing

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

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

- ensuring an effective supplier selection process incorporating due diligence procedures; and
- making certain that the arrangement is formally structured through:
  - the effective management of transition risk;
  - monitoring and review within the regulatory framework;
  - ensuring that a signed contractual agreement is in place which includes an agreed service level and whilst not an exhaustive list, covers inspection rights and confidentiality;
  - viable contingency plans including ensuring that a termination/exit strategy are in place; and
  - retaining control over any valuable confidential information which is owned by the Group and may be shared and used by a third party by having a standard non-disclosure agreement in place.

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

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

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

Key third party outsourcing providers are summarised below:

Outsourcing Provider	Outsourced Function	Location of service provider
New England Asset Management Inc.	Asset Management	USA
BDO	Payroll Processing UK and Europe	UK and Europe

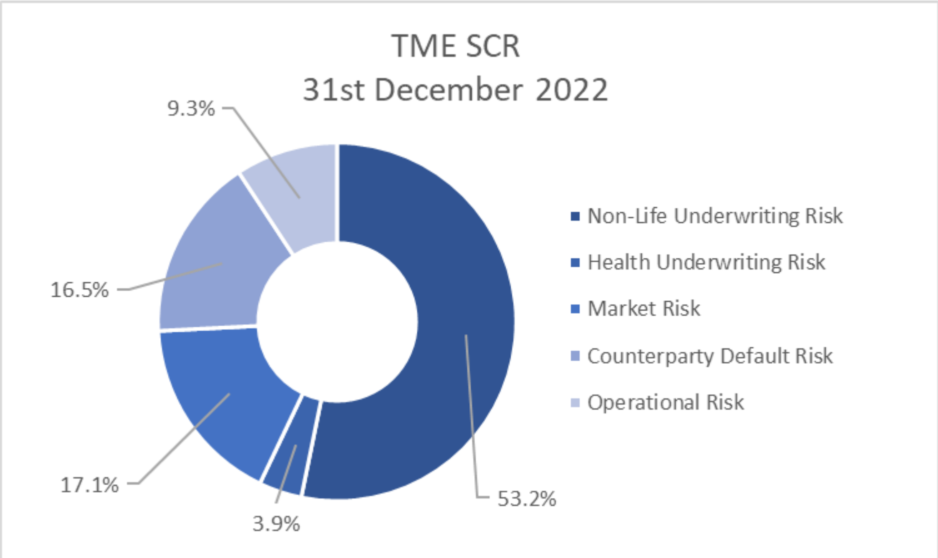
B8 Any Other Information

There is no additional information that requires disclosure.

Section C – Risk Profile

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

The chart below indicates the relative magnitude of the risks, as calculated within the SCR, as at 31 December 2022.



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

C1 Underwriting (Insurance) Risk

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

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

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

Premium Risk

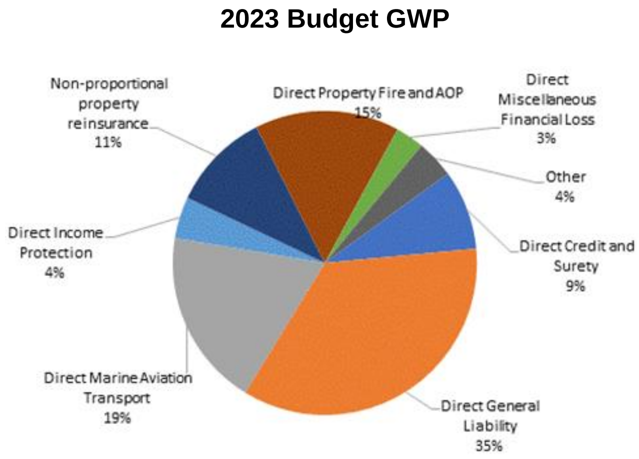
Nature of the Risk

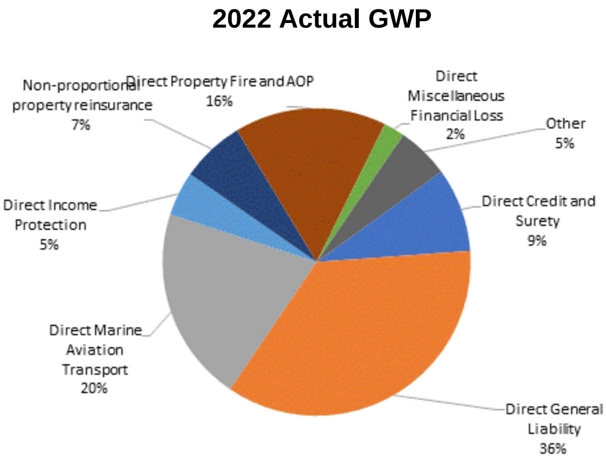
Premium risk relates to the potential losses arising from inadequate future underwriting. There are four elements that apply to all insurance products offered by TME:

- cycle risk – the risk that business is written without full knowledge as to the (in)adequacy of rates, terms and conditions;
- event risk – the risk that individual risk losses or CATs lead to claims that are higher than anticipated in plans and pricing;
- pricing risk – the risk that the level of expected loss is understated in the pricing process; and
- expense risk – the risk that the allowance for expenses and inflation in pricing is inadequate.

Risk Profile & Concentration of the Risk

The charts below show 2023 budgeted GWP broken down into Solvency II LOB, versus 2022 actual premiums.





The charts above highlight concentrations of risk across the LOBs and the broadly similar split across classes between 2023 Budget and 2022 Actual figures.

The table below indicates the concentration of exposures to CATs. The budget for 2023 shows that the level of CAT exposed business is similar to 2022 actual.

CAT/Non-CAT Split	Proportion of GWP	
	2023 Budget	2022 Actual
CAT business	13.4%	15.2%
Non-CAT business	86.6%	84.8%

Managing & Mitigating the Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

Reinsurance Risk

Nature of the Risk

Reinsurance risk arises where reinsurance contracts:

- do not perform as anticipated;
- result in coverage disputes; or
- prove inadequate in terms of the vertical or horizontal limits purchased.

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

Reinsurance Strategy, Managing & Mitigating the Risk

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

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

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

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

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

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

- To increase retention assuming the overall retention levels remain within our overall risk tolerances;
- Purchase the reinsurance at the price offered and accept the reduced return as a result; or
- Not write the business.

During 2022 we have maintained our stance in respect of reinsurance purchasing and tried to maximise opportunities, given being part of a much bigger group which can have an effect on reinsurance purchasing.

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

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

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

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

Claims Management Risk

Nature of the Risk

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

Managing & Mitigating the Risk

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

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

Reserving Risk

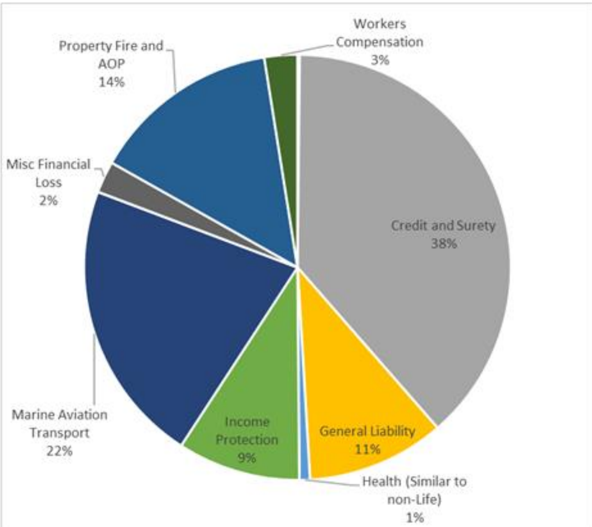
Nature of the Risk

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

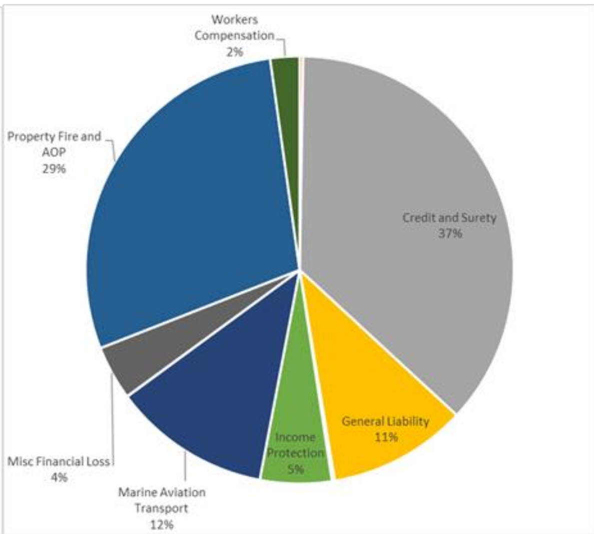
Risk Profile & Concentration of the Risk

The pie charts below illustrate the concentration of Solvency II Net Claims Provisions by LOB, for Q4 2022 and Q4 2021, including unallocated loss adjustment expenses.

Q4 2022



Q4 2021



The undiscounted net claims provisions have increased from $120.3 million at Q4 2021 to $129.5 million at Q4 2022. The main driver of the increase relates to the continued development of new classes of business being written by TME on Property Fire & AOP and Marine Aviation Transport. There has also been growth to more established classes of business, including Marine Aviation Transport, Direct Income Protection, and Credit & Surety. These factors have been offset by an increase in the discount factors due to the higher European Insurance and Occupational Pensions Authority (EIOPA) yield curves.

The overall split by LOB has remained largely stable following the initial establishment of the platform. It should be noted that the reserves as a whole are concentrated in the Credit & Surety class which accounts for roughly 40% of the reserves, which is in line with the concentration in Q4 2021. However, it would be expected to diversify further as the newer classes of business become more mature illustrated by an increase in the MAT and Income Protection classes in the charts above.

TME also serves as a platform for TMNF, to underwrite Property, Marine, Casualty, and Aviation lines. However, these LOBs generally have a zero net retention on TME with business ceded via 100% QS and facultative intra-company reinsurance arrangements. In addition, Financial Lines are 100% reinsured out of TME.

Overall, there is a LUX GAAP surplus of 11.0% (9.9pp increase compared to the previous year) above the undiscounted actuarial best estimate provisions net of reinsurance.

Managing & Mitigating the Risk

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

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

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

C2 Market Risk

Nature of the Risk

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

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

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

Risk Profile & Concentration of the Risk

A full list of assets, under Solvency II valuation rules may be found in Quantitative Reporting Templates (QRT) S.06.02. In summary, the split of assets for TME, as at 31 December 2022, is as follows:

Asset Type & Rating	2022 Asset Value ($m)	2021 Asset Value ($m)
Government Bonds AAA	16.7	9.8
Government Bonds AA+	9.4	11.3
Government Bonds AA	15.0	12.9
Government Bonds AA-	12.8	13.1
Government Bonds A+	7.2	4.9
Government Bonds A	4.9	9.0
Government Bonds A-	1.4	-
Corporate Bonds AAA	4.9	0.8
Corporate Bonds AA+	-	2.4
Corporate Bonds AA	11.2	4.1
Corporate Bonds AA-	25.7	14.1
Corporate Bonds A+	55.6	20.2
Corporate Bonds A	61.5	51.8
Corporate Bonds A-	61.6	42.2
Corporate Bonds BBB+	26.1	10.2
Corporate Bonds BBB	21.0	12.4
Corporate Bonds BBB-	3.0	1.5
Corporate Securities AAA	29.5	20.5
Corporate Securities AA+	-	5.6
Cash & Cash Equivalents	45.2	112.3
Deposits other than cash equivalents	61.9	11.1
Collective Investment Funds	25.3	1.9
Property, Plant & Equipment held for own use	1.9	2.0
Total	**501.9**	**374.2**

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

Managing & Mitigating the Risk

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

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

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

Investment strategy is consistent with this risk appetite and investment risk is monitored on an ongoing basis with the assistance of New England Asset Management who serve as TMHCC’s asset management firm.

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

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

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

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

C3 Credit Risk

Nature of the Risk

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

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

Risk Profile & Concentration of the Risk

Reinsurers

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

Reinsurer Rating	Proportion of Reinsurance Exposure[1]
AA+	0.01%
AA	5.0%
AA-	19.3%
A+	62.8%
A	3.2%
A-	1.1%
NR	8.5%

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

Investments

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

Managing & Mitigating the Risk

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

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

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

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

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

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

C4 Liquidity Risk

Nature of the Risk

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

Risk Profile & Concentration of the Risk

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

Managing & Mitigating the Risk

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

The total amount of the expected profit Ided in future premiums as calculIted in accordance with Article 260(2), Ihich is now on a gross of reinsurance basis, is $84.4 million (2021: $74.5 million). Future premiums come from either current balances or unincepted premiums. For current balances, it is assumed that they related to unearned business. Future profit is assessed by comparing these premiums to: i) losses derived by applying the same loss ratio as for the whole unearned premium reserve (UPR), which are derived from the Solvency II technical provision process and are based on actuarial Initial Expected Ultimate Loss Ratios (IEULRs) or corresponding budget loss ratios (for those lines not actuarially analysed); and ii) expenses derived by using the expense ratio of the whole of UPR, which are derived from the Solvency II technical provision process.

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

C5 Operational Risk

Nature of the Risk

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

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

Risk Profile & Concentration of the Risk

The tables below show the top 5 worst case and near term risks for TME from the 2022 Operational Risk scenario review.

Worst Case A[s] at 31st December 2022	Near Term A[s] at 31st December 2022
Data Protection	Conduct Risk
High Profile Third Party Disputes	Loss of Key Personnel
Conduct Risk	Operational Cyber risk
Business Continuity Risk	Failure to Meet Tax Requirements
Loss of Key Personnel	Data Quality Risk

Managing & Mitigating the Risk

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

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

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

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

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

C6 Other Material Risks

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

Strategic Risk

Nature of the Risk

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

Managing & Mitigating the Risk

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

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

Regulatory Risk

Nature of the Risk

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

Managing & Mitigating the Risk

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

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

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

Group Risk

Nature of the Risk

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

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

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

Risk Profile & Concentration of the Risk

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

Managing & Mitigating the Risk

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

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

Sustainability Risk

Nature of the Risk

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

Managing & Mitigating the Risk

Sustainability risk, including climate change risk, continues to be recognised as a key risk for the Group. 2022 has seen further work in terms of finalising the inclusion of sustainability risk within its governance and risk frameworks, which included: 1) development of a sustainability strategy; 2) drafting of a sustainability risk policy; 3) initial scoping of risk appetites, and risk metrics to monitor them; 4) further development of the specific Climate Risk sub-risk register; 5) implementation of ESG metrics to apply to the current investment portfolios; and 6) further initial work on potential quantitative impacts of climate change, including capital assessments and impacts from reverse stress tests. Work will continue on sustainability risk in 2023, particularly with regard to increasing the sophistication of the quantitative elements of the framework.

Post-Brexit Risks

Nature of the Risk

The UK left the EU on 31 January 2020 and entered a Brexit Transition Period which ended on 31 December 2020. Late in 2020, the EU and the UK government signed an EU-UK Trade and Cooperation Agreement that came into provisional force as the transition period ended. Uncertainties related to the future reciprocal market access rights of financial services companies leaves some residual post Brexit risk for TME.

Managing & Mitigating the Risk

To mitigate this risk, TME is keeping in close contact with both the market and European regulators, including the CAA, to ensure that any issues are identified early and appropriate action is taken. From 1 January 2021, the TME UK Branch is no longer permitted to stamp EEA business but UK branch underwriters are still allowed to work on EEA risks so long as they do so in a manner compliant with the Insurance Distribution Directive. It is noted that the post Brexit environment continues to generate uncertainty within the market, with, for example, the interpretation of IDD by different EEA regulators remaining unclear. Discussions have been had with the CAA who have expressed agreement with TME's proposed interpretation and strategy. However, post Brexit risk is still uncertain and will continue to be given close attention over the coming months. The TME UK Branch applied for, and received, third country branch authorisation from the UK regulators during 2022, so that it can continue to operate following the end of the post Brexit transition.

Inflation Risk

Nature of the Risk

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

Managing & Mitigating the Risk

The impact of inflation will vary widely, noting that a significant proportion of the business comprises short-tail, non-US business, where the inflation poses relatively little risk, although for some other lines of business (e.g. Energy) inflation has a greater impact. Management, therefore has looked at the how the risk is being mitigated in the areas of underwriting, claims, reserving and capital modelling and have concluded that the mitigations are appropriate, while noting that explicit allowance for inflation has been incorporated within the year end reserving process and will be enhanced within the capital model. The explicit inflation adjustment on reserves is not considered to be material. In the current inflationary environment, the risk is being kept under close review.

Outsourcing & Supplier Management Risk

Nature of the Risk

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

Managing & Mitigating the Risk

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

Pandemic Risk

Nature of the Risk

Since March 2020, TME has been monitoring and addressing the potential financial and operational risks created with the advent of the global Covid-19 pandemic.

Managing & Mitigating the Risk

Although Covid-19 continues to bring some uncertainty to the world at large, from a TME business perspective, the pandemic has developed broadly in line with expectations and the uncertainty has generally reduced. A potential indirect impact from Covid related to potential market volatility, as governments around the world continued to withdraw their national structural support during 2022. This has, to a certain extent, been superseded by the market volatility attributable to the Russia/Ukraine crisis, which is further discussed below. From an operational perspective, an additional potential risk was recognised during 2022, associated with the return to the office and new hybrid operating model. This was reflected by elevated statuses on two risks on the risk register during 2022, but with the successful implantation of the new operating model, these risks had returned to stable by the end of 2022.

Ukraine / Russia Conflict

Nature of the Risk

During Q1 2022, Russia invaded Ukraine following a period of high tension in the region. Beyond the humanitarian disaster this has brought, the escalation has led to some potential additional risks for TMHCC International, including TME. These includes: direct exposures; indirect impacts, such as inflation, market volatility, inwards and outwards misalignment, intragroup reinsurance; legal risks; cyber risks; further escalation (use of nuclear weapons, further countries involved).

Managing & Mitigating the Risk

Management continues to monitor the evolving Ukraine/Russia conflict and currently considers the impact on TME to be limited as many classes of business do not have exposure or have the appropriate exclusions in place and indirect exposures are limited by TME's cautious investment strategy and robust operational frameworks.

Supply-chain

Nature of the Risk

Supply chain risk within the insurance industry, is an area of focus given the increased scrutiny being applied by the regulators for insurers to demonstrate their operational resilience and key to this, is understanding and managing the resilience of the related supply chain. Against the backdrop of increased digitalisation of the market and escalating cyber-security threats, this risk should be forefront in insurers minds.

Managing & Mitigating the Risk

The global Covid-19 pandemic has changed what consumers buy and is accelerating immense structural changes in many industries, including insurance. The emerging new behaviours require insurers to accelerate their level of digitalisation and optimise their supply channels. If digitalisation is appropriately employed in the outsourcing of functions to third-party providers, the control over supply channels may be strengthened. The supply chain risk is currently not imposing any material impact on TME; however, its changing nature call for ongoing monitoring. If the changes in the supply chain are properly managed, they may result in new opportunities such as achieved ESG targets, greater resilience against cyberattacks, minimal disruption for the company and customers, and improved cost efficiencies.

C7 Any Other Information

Top 10 Risks

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

Worst Case A^s at 31st December 2022	Near Term A^s at 31st December 2022
CAT/Large Losses Outside of Business Plan	Systemic Losses Outside of Business Plan
Systemic Losses Outside of Business Plan	Reserving Risk
Reserving Risk	CAT/Large Losses Outside of Business Plan
Selection Risk	Investment Market Volatility
Investment Market Volatility	Selection Risk
Data Protection	Outwards Reinsurance Risks
High Profile Third Party Disputes	Foreign Exchange Risk
Outwards Reinsurance Risks	Credit Rating Risk
Conduct Risk – Overall	Conduct Risk
External Fraud	Loss of Key Personnel

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

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

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

Reverse Stress and Stress & Scenario Testing

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

- Risk of ruin, as considered via RSTs;
- Risk of multiple events on the business model and strategy considered via stress & scenario tests (SSTs);
- Emerging risks that are potential risks to the business model and strategy.

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

The following sub-sections provide further details of the three areas, with consideration as to how they could potentially impact the business on a forward-looking basis. The events described could happen in any of the following three years. However, the numerical analysis assumes that the events occur in the first future year, as this would be the most adverse time for them to occur.

Risk of Ruin via RSTs

The identification of the RSTs, incorporating events or combination of events that could threaten the viability of the business, was completed by a committee of senior and executive management representing Underwriting, Claims, Finance and Operations, with the support of the Enterprise Risk and Actuarial teams to quantify the potential exposures.

The two key risks for the company relate to Financial Lines Directors & Officers Liability (with regard to both reserving and underwriting risks) and European Windstorms. These risks have been captured (amongst other ones) in the three RSTs designed by the business. This year we have updated our approach so several of the RSTs are parameterised by considering current potential events, such as a deterioration of the Russia/Ukraine crisis or a full-blown China/Taiwan crisis, as well as some additional analysis of climate change risks.

The RSTs considered are shown in the table below. They were calibrated to threaten the viability of the business, which was defined as leading the Company’s own funds to fall close to, or below, the Company’s MCR, on either a one year or ultimate basis. Smaller reductions in net assets (which might, for example, initially lead to a breach of the SCR) are assumed to be replenished through a capital injection from th’ Group's parent, in the first instance.

Scenario	Summary of Scenario
RST1 Scenario driven by substantial underwriting losses	<u>RST 1.1 Possible scenarios:</u> • Two natural CATs: windstorms, earthquakes, winter storm, etc, occurring in the same quarter • Solar Flares: One of the largest geomagnetic storms causing blackouts, electrical disruptions, property damage. • The impact of a global pandemic causing aggregate underwriting losses. • Climate change: Exposures could be greater due to the extent of damage caused by climate change With the severity of the assumptions made, this is estimated to be a 1 in 500 event. <u>RST 1.2 Possible scenarios:</u> • A natural CAT (EU/NA windstorms) followed by an opportunistic cyber-attack. • A terrorist attack triggering or coupled with a sophisticated cyber-attack. • The impact of a global pandemic causing aggregate underwriting losses. • Climate change: Exposures could be greater due to the extent of damage caused by climate change With the severity of the assumptions made, this is estimated to be a 1 in 500 event.

	RST 1.3 A large global natural CAT impacting a large exposure, e.g. North Sea exposures, causing significantly large losses. Exposures could be greater due to the extent of damage caused by climate change. With the severity of the assumptions made, this is estimated to be a 1 in 500 event.
RST2 ***Scenario caused by a substantial economic recession***	An inflationary event (possibly linked to Russia-Ukraine conflict or US-China confrontation) that leads to economic and insurance/reinsurance market turmoil, higher Inflation for longer, followed by shareholder actions that impact the Financial Lines account and reserve deteriorations on multiple lines. With the severity of the assumptions made, this is estimated to be a 1 in 500 event.
RST3 ***A combination of RST1 (UW losses) leading to an economic recession (RST2)***	Combination of RST1 leading to an economic recession (RST2), drivers include: A large underwriting loss such as a Pandemic, Nat Cat(s), Cyber-attack leading to a recession. Exposures could be greater due to the extent of damage caused by climate change. With the severity of the assumptions made, this is estimated to be a 1 in 1000 event.

Risk of multiple events on business model via Stress & Scenario Tests

On top of the RSTs, which are likely to cause TME failure, we have identified various stress scenarios, i.e. a number of events occurring concurrently, that help the business better understand the risk drivers of TME. The scenarios were discussed and agreed by the same committee of individuals that assessed the RSTs.

The SSTs assessed were as follows:

Scenario	Summary of Scenario
SST1 ***Scenario driven by Operational Losses***	S–T 1.1 - Significant Losses caused by a loss of key personnel. It is calibrated to an estimated 1 in 20 year event. S–T 1.2 - Loss of key revenue stream. It is calibrated to an estimated 1 in 50 year event.
SST2: ***Large event and business continuity***	A combination of NatCat, pandemic or other large event which impacts business continuity. It is calibrated to an estimated 1 in 10 year event.
SST3: ***A significant loss impacting a LOB***	A significant loss impacting a LOB, arising from events such as the collapse of a major counterparty or political unrest. It is calibrated to an estimated 1 in 30 year event.
SST4: ***Cyber Loss***	Cyber-attack impacting the business. It is calibrated to an estimated 1 in 20 year event.
SST5 ***Latent Liability Claims***	A significant change in legislation causes previous outstanding losses to increase such as latent liability claims. It is calibrated to an estimated 1 in 20 year event.

Potential impacts of RSTs and SSTs

Each of the scenarios has been analytically assessed, with the expert judgements and assumptions recorded, along with the potential financial impact. The tables below provide an indication of the impact on each risk area, along with the impact on overall capital and solvency ratios. The impact below are on an overall Group basis. Relevant tests are run for the Company and the results/conclusions are similar.

Ultimate Basis

Scenario	Ins Risk	Cred Risk	Mkt Risk	Op Risk	Overall Capital Impact	Eligible Own Funds / SCR post scenario [1]	Eligible Own Funds / Standard Formula MCR post scenario [1]
RST1.1	$50m-$150m	$50m-$100m	<$10m	<$10m	$100m-$200m	<100%	<100%
RST1.2	$50m-$100m	$10-$25m	$10m-$25m	$10m-$20m	$100m-$200m	<100%	100%-200%
RST1.3	$100m-$200m	$20m-$50m	<$10m	<$10m	$300m-$400m	<100%	<100%
RST2	$20m-$50m	$50m-$100m	$10m-$20m	<$10m	$100m-$200m	<100%	200%-300%
RST3	$50m-$100m	$100m-$200m	$10m-$20m	<$10m	$300m-$400m	<100%	<100%
SST1.1	<$10m	<$10m	<$10m	$20m-$50m	$20m-$50m	100%-200%	400%-500%
SST1.2	<$10m	<$10m	<$10m	$10m-$20m	$20m-$50m	100%-200%	400%-500%
SST2	$50m-$100m	<$10m	<$10m	<$10m	$50m-$100m	<100%	300%-400%
SST3	$20m-$50m	<$10m	<$10m	<$10m	$20m-$50m	<100%	300%-400%
SST4	$10m-$20m	<$10m	<$10m	<$10m	$10m-$20m	100%-200%	400%-500%
SST5	<$10m	<$10m	<$10m	<$10m	<$10m	100%-200%	400%-500%

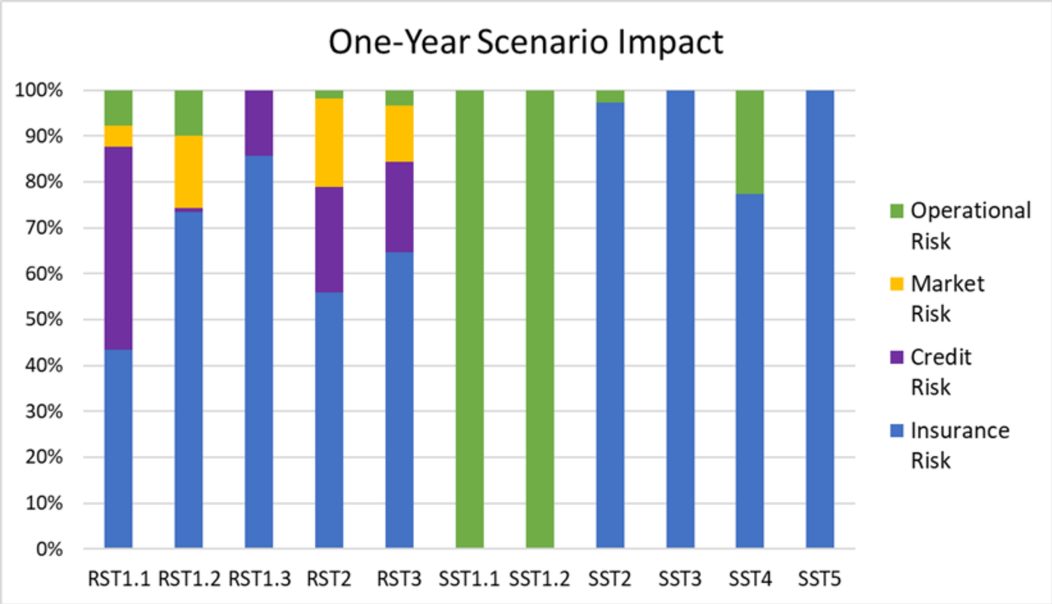
[1]Note using an ultimate capital impact to re-assess solvency ratios. Base Company Eligible Own Funds / SCR is c. 122%; base Company Eligible Own Funds / Standard Formula MCR is c. 490%

One Year Basis

Scenario	Ins Risk	Cred Risk	Mkt Risk	Op Risk	Overall Capital Impact	Eligible Own Funds / SCR post scenario [1]	Eligible Own Funds / Standard Formula MCR post scenario [1]
RST1.1	$50m-$100m	$50m-$100m	<$10m	<$10m	$100m-$200m	<100%	100%-200%
RST1.2	$50m-$100m	<$10m	$10m-$20m	$10m-$20m	$100m-$200m	<100%	100%-200%
RST1.3	$100m-$200m	$20m-$50m	<$10m	<$10m	$200m-$300m	<100%	<100%
RST2	$100m-$200m	$20m-$50m	$10m-$20m	<$10m	$100m-$200m	<100%	<100%
RST3	$100m-$200m	$50m-$100m	$20m-$50m	<$10m	$200m-$300m	<100%	<100%
SST1.1	<$10m	<$10m	<$10m	$10m-$20m	$10m-$20m	100%-200%	400%-500%
SST1.2	<$10m	<$10m	<$10m	$10m-$20m	$10m-$20m	100%-200%	400%-500%
SST2	$20m-$50m	<$10m	<$10m	<$10m	$20m-$50m	<100%	300%-400%
SST3	$20m-$50m	<$10m	<$10m	<$10m	$20m-$50m	<100%	300%-400%
SST4	$10m-$20m	<$10m	<$10m	<$10m	$10m-$20m	100%-200%	400%-500%
SST5	<$10m	<$10m	<$10m	<$10m	<$10m	100%-200%	400%-500%

[1]: Base Company Eligible Own Funds / SCR is c. 124%; base Company Eligible Own Funds / Standard Formula MCR is c. 484%

The chart below shows the breakdown of each of the scenarios into risk component proportions (based on the one year basis).



Emerging and Developing Risks

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

TME define emerging risks as any issue perceived to be potentially significant, but which is not currently fully understood or allowed for in the business strategy, insurance terms, pricing, reserving or capital setting. Developing risks would also fit this definition, but with a clearer understanding of how the advent of the risk crystallising would likely impact current strategy. Emerging risks are considered as those which might materialise over a three to five year time horizon, while developing risks are those that have the potential to crystallise over the next three years, reflecting the timeframes of the business planning cycle.

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

In identifying emerging and developing risks, information is obtained from various sources; this provides integrity to the emerging and developing risks identified and ensures all key aspects of these risks are identified. The sources of information include the following:

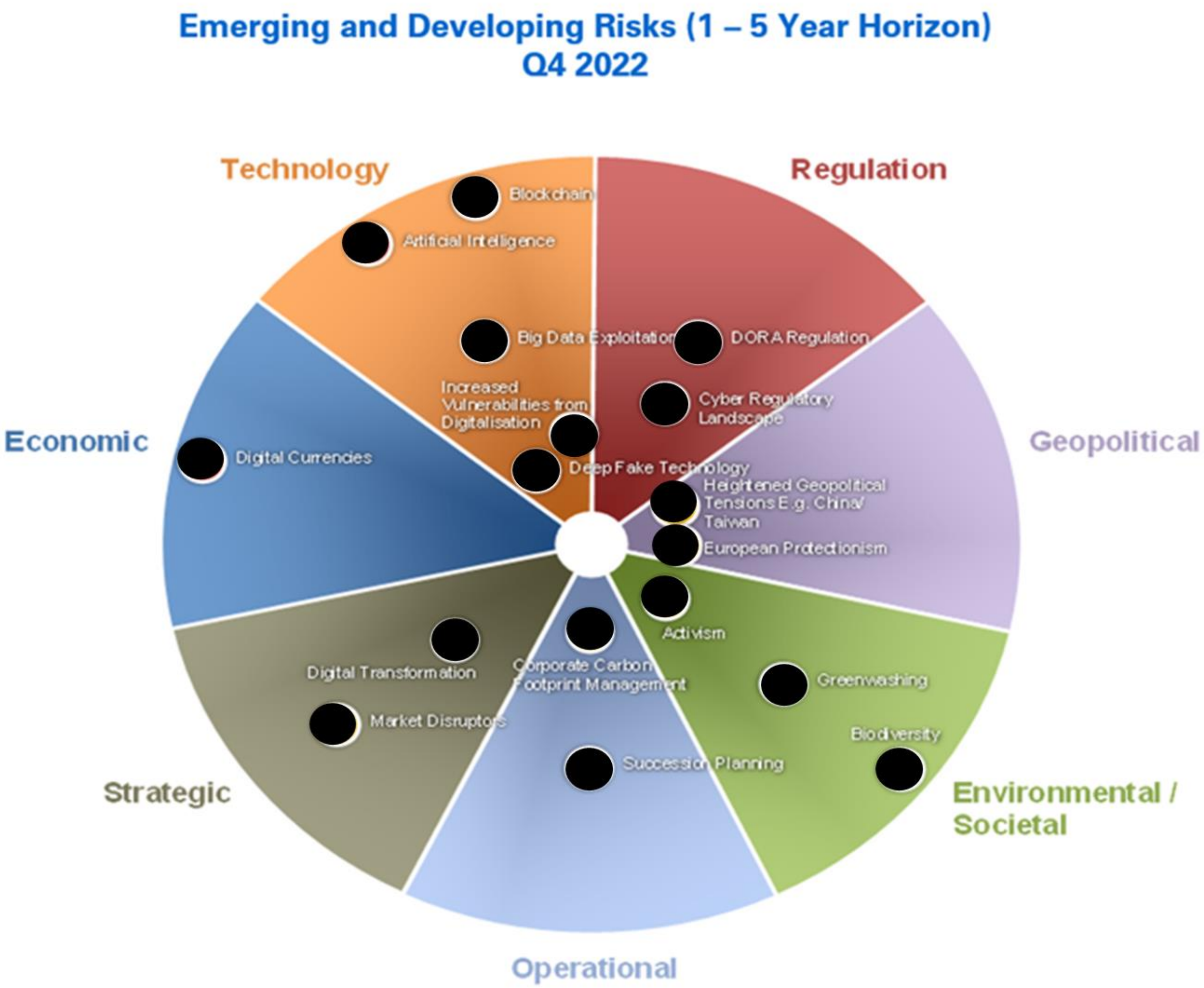
- Discussions with current risk and control owners with regards to specific emerging or developing risks to the business;
- Various journals, research papers and online sources are analysed;
- Market-wide emerging risk workshops are attended by the Enterprise Risk Management team; and
- Monitoring of supervisory statements.

Once the agreed list of emerging and developing risks is produced and analysed, the Enterprise Risk team are able to determine whether risks identified might be applicable to TME and these are then listed on the Emerging and Developing Risks Register and anything considered pertinent is presented to the RCMC for discussion.

If an emerging or developing risk, as part of the quarterly risk review, is considered to be becoming a current risk by the RCMC, the risk is transferred onto TME's risk register where the residual risk score is determined and current controls can be assessed and monitored against the risk. This then forms part of the live risk register and the risk is dropped from the Emerging and Developing Risk Register.

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

The radar below provides details of those areas identified as emerging or developing risks as at Q4 2022. As noted above, the items included for consideration on the emerging and developing risk radar are tightly defined as those areas which are not currently allowed for in the business strategy, insurance terms, pricing, reserving or capital setting in any capacity. This creates a very focussed analysis of risks, affording the monitoring and management of these to be closely governed.



Section D – Valuation for Solvency Purposes

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

The table below shows the TME's balance sheet reconciliation from LUX GAAP to the Solvency II asset and liabilities, as reported in the QRTs. An explanation of the Solvency II valuation methods and assumptions, including key differences to those used under LUX GAAP is provided in the subsequent sections.

For the purposes of this SFCR, the adjustments from LUX GAAP to Solvency II, have been grouped as follows:

- reclassification Adjustments (Reclass.) – reclassification of financial amounts between balance sheet lines (net impact of nil on the Solvency II balance sheet)
- valuation Adjustment for Technical Provisions (Valuation Adj. TPs) – net impact of moving from LUX GAAP to Solvency II reserves, excluding reclassification items and removal of DAC and UPR
- valuation Adjustment for DAC & UPR (Valuation Adj. DAC & UPR) – removal of DAC and UPR
- valuation Adjustment for Other (Valuation Adj. Other) – Investment valuation differences and deferred tax adjustments

BALANCE SHEET RECONCILIATION FROM LUX GAAP TO SOLVENCY II As at 31 December'2022	LUX GAAP ''000	Reclass. ''000	Valuation Adj. TPs ''000	Valuation Adj. DAC & UPR ''000	Valuation Adj. Other ''000	Solvency II $''00	Solvency II as at 2021 $'000
Assets							
Investments *(D1.1)*	484,865	2,790	-	-	(32,849)	454,807	259,815
Deferred tax assets *(D1.2)*	-	-	-	-	6,623	6,623	57
Deferred acquisition costs *(D1.3)*	42,361	-	-	(42,361)	-	-	-
Property, plant & equipment held for own use *(D1.4)*	1,913	-	-	-	-	1,913	2,027
Reinsurance recoverables from Non-Life *(D2)*	871,072	(39,945)	(101,596)	(138,972)	-	590,559	536,843
Insurance and intermediaries receivables *(D1.5)*	147,776	(80,841)	-	-	-	66,935	57,836
Reinsurance receivables *(D1.5)*	92,985	(31,673)	-	-	-	61,312	43,447
Receivables (trade, not insurance) *(D1.5)*	22,459	-	-	-	-	22,459	31,388
Cash and cash equivalents *(D1.7)*	45,218	-	-	-	-	45,218	112,308
Any other assets, not elsewhere shown *(D1.8)*	3,490	(2,790)	-	-	-	700	481
Total assets	**1,712,139**	**(152,459)**	**(101,596)**	**(181,333)**	**(26,225)**	**1,250,526**	**1,044,202**
LIABILITIES							
Technical prov–sions - Non-Life *(D2)*	1,101,012	(112,514)	(38,540)	(229,250)	-	720,708	675,961
Deferred tax liabilities	60	-	-	-	(60)	-	-
Insurance & intermediaries payables *(D3.1)*	29,592	-	-	-	-	29,592	23,935
Reinsurance payables *(D3.1)*	181,094	(39,945)	-	-	-	141,149	82,870
Payables (trade, not insurance) *(D3.1)*	25,233	-	-	-	-	25,233	11,502
Any other liabilities, not elsewhere shown *(D3.2)*	150,779	-	-	(42,267)	-	108,510	39,807
Total liabilities	**1,487,768**	**(152,459)**	**(38,540)**	**(271,517)**	**-**	**1,025,192**	**834,075**
Excess of assets over liabilities	**224,371**	**-**	**(63,056)**	**90,185**	**(26,165)**	**225,334**	**210,127**

The following sections provide further detail on the above and the valuation basis for each line of the balance sheet.

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

D1 Assets

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

D1.1 Investments

RECONCILIATIONS FROM LUX GAAP TO SOLVENCY II	LUX GAAP	Reclass.	Valuation Adj. Other	Solvency II	Solvency II as at 2021
31 December'2022	''000	''000	''000	$''00	$'000
Government bonds	74,367	639	(7,539)	67,467	61,027
Corporate bonds	291,037	2,081	(22,470)	270,648	159,609
Collateralised securities	32,290	70	(2,839)	29,521	26,122
Collective investments undertakings	25,311	-	-	25,311	1,910
Deposits other than cash equivalents	61,860	-	-	61,860	11,147
Investments	**484,865**	**2,790**	**(32,848)**	**454,807**	**259,815**

Solvency II Reclassification

Under LUX GAAP, prepayments and accrued interest on fixed income investments is included within 'Other Assets'. The Solvency II reclassification adjustments in Bonds and collateralised securities, are in relation to this accrued interest, being reclassified to investments under Solvency II.

Solvency II Reconciliation and Valuation

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

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

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

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

- Level 1 – Inputs are based on quoted prices in active markets for identical instruments.

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

- Level 2 – Inputs are based on using observable prices for recent arm's length transactions for an identical asset that are available either directly as prices or indirectly from observable market data.

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

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

- evaluation of the underlying methodologies;
- analysis of recent sales activity;
- analytical review of TME's fair values against current market prices; and
- comparison of the pricing services' fair value to other pricing services' fair value for the same investment.

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

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

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

D1.2 Deferred Tax

RECONCILIATIONS FROM LUX GAAP TO SOLVENCY II 31 December'2022	LUX GAAP ''000	Valuation Adj. Other ''000	Solvency II $'000
Deferred tax assets	-	6,683	6,683
Deferred tax liabilities	60	(60)	-

Solvency II Reconciliation and Valuation

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

The Solvency II valuation adjustment to the deferred tax assets represents the net impact of all the Solvency II valuation adjustments, including the reinstatement of deferred tax asset, which is not recognised under LUX GAAP.

D1.3 Deferred Acquisition Costs

RECONCILIATIONS FROM LUX GAAP TO SOLVENCY II 31 December'2022	LUX GAAP ''000	Valuation Adj. DAC & UPR ''000	Solvency II $'000
Deferred acquisition costs	42,361	(42,361)	-

Solvency II Reconciliation & Valuation

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

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

D1.4 Property, Plant and Equipment

RECONCILIATIONS FROM LUX GAAP TO SOLVENCY II 31 December'2022	LUX GAAP ''000	Reclass. ''000	Solvency II $'000
Property, plant & equipment held for own use	1,913	-	1,913

Solvency II Reconciliation

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

Valuation

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

For Solvency II purposes, the Directive states that Property, Plant and Equipment should be valued on a basis that reflects its fair value. TME believes that the depreciated cost of Property, Plant and Equipment held at 31 December 2022 is a materially fair approximation of fair market value.

D1.5 Receivables

RECONCILIATIONS FROM LUX GAAP TO SOLVENCY II 31 December'2022	LUX GAAP ''000	Reclass. ''000	Solvency II $'000
Insurance and intermediaries receivables	147,776	(80,841)	66,935
Reinsurance receivables	92,985	(31,673)	61,312
Receivables (trade not insurance)	22,459	-	22,459
Total receivables	**263,220**	**(112,514)**	**150,706**

Solvency II Reconciliation & Valuation

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

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

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

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

D1.6 Cash and cash equivalents

RECONCILIATIONS FROM LUX GAAP TO SOLVENCY II 31 December'2022	LUX GAAP ''000	Reclass. ''000	Solvency II $'000
Cash and cash equivalents	45,218	-	45,218

Solvency II Reconciliation & Valuation

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

D1.7 Other Assets

RECONCILIATIONS FROM LUX GAAP TO SOLVENCY II 31 December'2022	LUX GAAP ''000	Reclass. ''000	Solvency II $'000
Any other assets, not elsewhere shown	3,490	(2,790)	700

Solvency II Reconciliation & Valuation

Under LUX GAAP, prepayments and accrued interest on fixed income investments is included within 'Other Assets'. The Solvency II adjustment of $2.8 million is in relation to this accrued interest, being reclassified to investments under Solvency II.

D1.8 Other Matters

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

D2 Technical Provisions

At 31 December 2022, the total value of net technical provisions for TME was $130.1 million, which included $18.4 million in respect of the risk margin. The movement of LUX GAAP Provisions to Solvency II net technical provisions was as follows:

RECONCILIATIONS FROM LUX GAAP TO SOLVENCY II 31 December'2022	LUX GAAP ''000	Reclass. ''000	Valuation Adj. TPs ''000	Valuation Adj. DAC & UPR ''000	Solvency II $'000
Technical provisions–- non - life	1,101,012	(112,514)	(38,540)	(229,250)	720,708
Reinsurance recoverables from non-life	(871,072)	39,945	101,596	138,972	(590,559)
Net Technical Provisions	**229,940**	**(72,569)**	**63,056**	**(90,278)**	**130,149**

Solvency II Reconciliation

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

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

Valuation

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

Net Technical Provisions 31 December'2022	Net Best Estimate ''000	Risk Margin ''000	Net Technical Provision $'000
Medical expense insurance	75	6	81
Income protection insurance	12,369	1,583	13,952
'orkers' compensation insurance	3,539	398	3,937
Marine, aviation and transport insurance	11,988	3,337	15,325
Fire and other damage to property insurance	19,707	2,017	21,724
General liability insurance	6,034	3,014	9,048
Credit and suretyship insurance	61,113	5,360	66,473
Miscellaneous financial loss	2,075	459	2,534
Non-proportional health reinsurance	895	110	1,005
Non-proportional casualty reinsurance	(6,246)	109	(6,137)
Non-proportional marine, aviation and transport reinsurance	16,809	636	17,445
Non-proportional property reinsurance	(16,665)	1,427	(15,238)
Total	**111,693**	**18,456**	**130,149**

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

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

The actuarial function's involvement in the whole reserving process allows us to opine that the technical provisions at 31 December 2022 are sufficient and the methods and assumptions used are appropriate given the nature, scale and complexity of TME's risk profile.

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

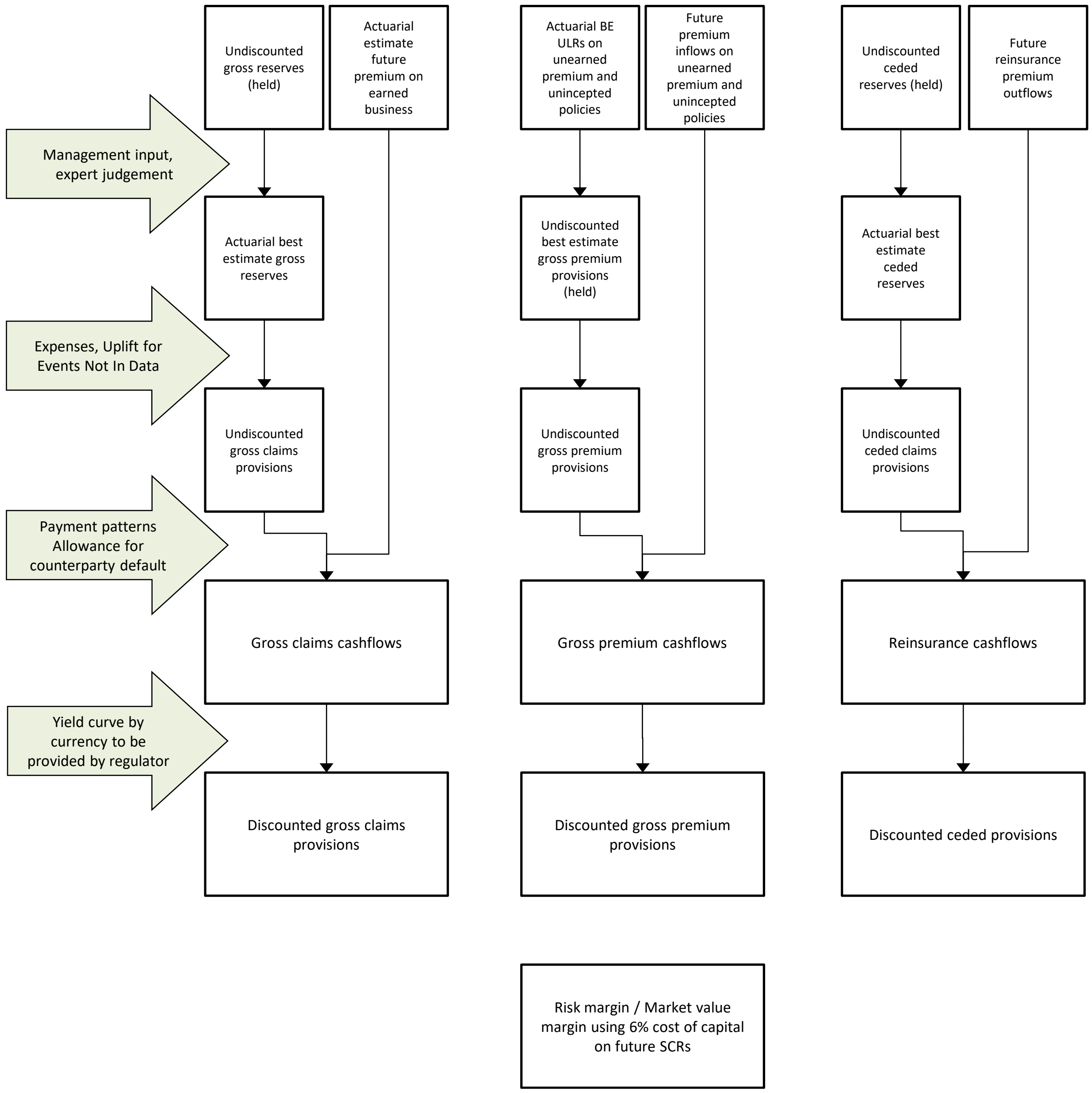
The methodologies used are consistent across all material LOBs and the key items are summarised below. In addition, we have included a heading looking at identified future enhancements.

Technical Provisions Calculation Overview

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

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

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



Undiscounted Best Estimate Claims Provisions

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

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

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

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

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

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

Undiscounted Best Estimate Premium Provisions

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

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

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

Undiscounted Best Estimate Reinsurance Provisions

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

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

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

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

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

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

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

The BBNI inward policies, included in the technical provisions as at the valuation date, will have reinsurance treaties, incepting during 2023, attaching to their premiums and losses. A corresponding portion of the cost of this reinsurance and expected ceded losses is included in the technical provisions.

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

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

Change in expense basis

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

Events Not In Data

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

At least three types of events should be considered:

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

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

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

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

Counterparty Default Risk

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

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

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

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

Cash Flows and Discounting

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

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

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

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

Assumptions about policyholder behaviour

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

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

Risk Margin

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

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

The method used involves the following three step process:

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

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

Results for the year ended 31st December 2022 & prior year for TME are set out below.

TME	NET Technical Provisions Comparison to Prior Valuati'ns		
$'000	2022 (2022 YE FX Rates)	2021 (2022 YE FX Rates)	2021 (2021 YE FX Rates)
Claims Provisions	120,092	113,488	120,444
Premium Provisions	(8,399)	(3,468)	(4,771)
Total excluding Risk Margin	111,693	110,020	115,673
Risk Margin	18,456	22,300	23,445
Total including Risk Margin	**130,149**	**132,320**	**139,118**

Between 31 December 2021 and 31 December 2022, the technical provisions (excluding risk margin) increased slightly by $1.7 million, after allowing for FX rate movements, following a $6.6 million increase in claims provisions partially offset by a $4.9 million reduction to premium provisions. The main driver of the increase in claims provisions relates to the continued development of new portfolios being written by TME include GCube, Delegated Property, and Marine Cargo. There has also been growth to the more established classes of business, including Marine Hull, Local TMSL and Credit US on the TME platform. These factors have been offset by an increase in the discount factors due to the higher EIOPA yield curves. The reduction in premium provisions was due to the increase in future premiums and discount factors. The risk margin has also decreased by $3.8 million reflecting the updated SCRs and discount factors compared to last year.

Segmentation

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

Internal data improvements, procedural changes and significant deficiencies

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

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

- Produced a data-flow chart for each business process that shows the datasets that flow into and out of the process, along with the reconciliation points that ensure data is consistent throughout the process.
- Documented at field level, the datasets used to drive each business process and recorded this information in the Data Directory.
- Assigned each data set to a subject matter expert and asked them to complete a standard data quality template containing an assessment as to whether that data set is complete & appropriate for its intended business usage.
- Developed a series of automated reconciliation reports that highlight any data inconsistencies between IT systems.
- Introduced compliance procedures to ensure that all relevant manual reconciliations are completed whenever a specific business process is performed.
- Introduced audit procedures to assess, report on and remedy the accuracy of those data elements that are material to the organization and are manually entered into systems.

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

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

Group adjustments to individual technical provisions

This is not applicable for TME’s technical provisions.

Third country insurance and reinsurance undertakings

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

Consideration of assumptions or methods since the prior period

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

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

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

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

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

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

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

Sensitivity analysis around the technical provisions for TME is undertaken annually. The conclusions of the 2022 analysis were:

- The technical provisions (excluding future premium) are most sensitive to the earned reserve levels and the loss ratios assumed in the unearned provisions. For example, using 25th and 75th percentiles from the underlying reserve distribution, rather than best estimate would change the technical provisions in the region of 7-9%.
- The technical provisions (excluding future premium) are also sensitive to the discount rate used, to the extent that if discount rates returned to the levels seen before the Financial Crisis of 2007-2008, this would have an impact on the technical provisions in the region of 11%. It should be noted that for the higher range test (i.e., assuming no discounting credit), the impact is also a reduction to the technical provisions, which arises due to the volume of Euro denominated provisions and the negative Euro yield curve at shorter terms as at 31 December 2021.
- The technical provisions (excluding future premium) are not so sensitive (less than 3%) to changes to the risk margin calculation.
- The technical provisions (excluding future premium) are sensitive to expense overruns increasing the technical provisions in the region of 10%. This is driven by the Financial Lines and Local Marine accounts, where expenses incurred would typically be offset by commissions, which under the scenario considered would not increase to offset the impact of the expense overruns.
- The technical provisions (excluding future premium) are sensitive to the future management actions of maintaining the reinsurance program, increasing the technical provisions by 10% if it weren't maintained. This is driven by the Financial Lines account which is fully ceded.

Transitional provisions on technical provisions, matching adjustment and volatility adjustment

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

The use of simplified approaches

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

Assumptions about future management actions

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

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

The secondary risk associated with this reins–rance - reinsurer credi– risk - is also included in the Technical Provisions.

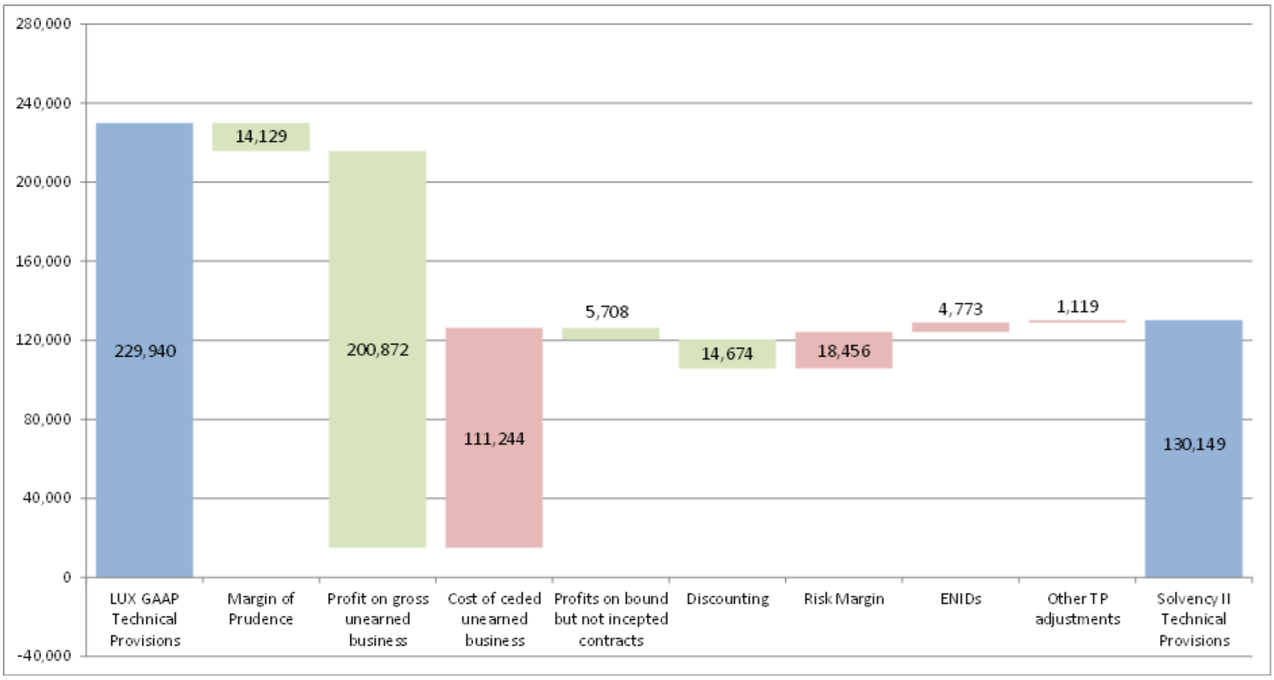
Differences to LUX GAAP Technical Provisions

Differences between the current GAAP reserves and Solvency II technical provisions can be broken down into the following drivers:

- Removal of booked reserve margins (decrease)
- Loading for ENIDs (increase)
- Change of expense basis (increase)
- Adjustments to earned provisions, including future development in earned premium where appropriate (usually decrease)
- Emergence of profit on future premium, including removal of 100% UPR (usually decrease)
- Bound but not incepted policies (usually decrease)
- Discounting (usually decrease)

- Risk margin (increase)

The waterfall chart below illustrates the impact of each of these on TME's GAAP and Solvency II reporting positions, followed by a table that provides the underlying figures for each component:



Note, the starting GAAP provisions are inclusive of $1.1 million salvage and subrogation (2021: $0.1 million).

Reconciliation of Net Technical Provisions: LUX GAAP to Solvency II **$'000**	**2022**	**'021**
LUX GAAP Technical Provisions	**229,940**	**202,037**
Removal of margin of prudence	(14,129)	(1,227)
Allowance for events not in data (binary events)	4,772	4,479
Change of expense basis	31,871	26,227
Adjustments to earned provisions	1,119	599
Removal of unearned LUX GAAP provisions	(90,276)	(83,652)
Future premium iro unearned incepted business	(71,342)	(66,832)
Projected losses arising from UPR	40,120	35,764
Future premium iro unincepted business	(35,120)	(30,504)
Projected losses arising from unincepted contracts	29,412	29,075
Discounting credit	(14,674)	(292)
Inclusion of risk margin	18,456	23,445
Solvency II Technical Provisions	**130,149**	**139,118**

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

D3 Other Liabilities

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

D3.1 Payables

RECONCILIATIONS FROM LUX GAAP TO SOLVENCY II 31 December'2022	LUX GAAP ''000	Reclass. ''000	Solvency II $'000
Insurance and intermediaries payables	29,592	-	29,592
Reinsurance Payables	181,094	(39,945)	141,149
Payables (trade, not insurance)	25,233	-	25,233
Total payables	**235,919**	**(39,945)**	**195,974**

Solvency II Reconciliation

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

Valuation

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

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

D3.2 Other liabilities

RECONCILIATIONS FROM LUX GAAP TO SOLVENCY II 31 December'2022	LUX GAAP ''000	Reclass. ''000	Solvency II $'000
Any other liabilities, not elsewhere shown	150,779	(42,267)	108,510

Solvency II Reconciliation

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

Valuation

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

D3.3 Other Provisions and Contingent Liabilities

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

D3.4 Employee benefits

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

D4 Alternative methods for valuation

TME has not applied any alternative methods of valuation.

D5 Any other information

There is no additional information that requires disclosure.

Section E – Capital Management

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

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

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

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

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

E1 Own Funds

At valuation date the Own Funds held by TME were $225.3 million (2021: $211.2 million). The majority of Own Funds qualify as Tier 1 capital and are unrestricted; TME has a deferred tax asset of $9.0 million qualifying as Tier 3. The Company's common equity consisted of share capital totalling $1.2 million (2021: $1.2 million), share premium of $231.2 million (2021: $211.2 million).

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

RECONCILIATION RESERVE $'000	2022	'021
Excess of assets over liabilities	225,334	210,127
less:		
Own share capital	1,159	1,159
Share premium	231,232	211,232
Deferred tax asset	6,623	-
Reconciliation reserve	**(13,681)**	**(2,264)**

The classification into tiers is relevant for the determination of Own Funds that are eligible for covering the SCR and the regulatory MCR. At least 80% of the MCR must be covered by Tier 1 capital and Tier 3 capital is not eligible to cover the MCR. The table below represents for the SCR and MCR with respect to tiers:

AVAILABLE FUNDS 31 December'2022	Total ''000	Tier 1 unrestricted ''000	Tier 1 restricted ''000	Tier 2 ''000	Tier 3 $'000
Total eligible funds to meet the SCR	225,334	218,711			6,623
Total eligible funds to meet the MCR	218,711	218,711			

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

Eligible own funds to cover capital requirements $'000	2022	’021
Eligible Own Funds	225,334	210,127
SCR	181,115	157,412
MCR	45,279	40,716
Eligible Own Funds over SCR (Surplus)	44,219	52,715
Eligible Own Funds to meet MCR over MCR	180,055	169,411
Solvency Ratio (i.e. Own Funds / SCR)	124%	133%
Eligible Own Funds to meet MCR (as a Percentage of MCR)	483%	516%

The coverage ratio has decreased from 133% to 124% in the year, driven by the increase in the SCR in 2022, offset by the growth in Own Funds. The SCR increase is due to the increase in business volumes in the year and in the 2023 budget, flowing into the Non-life Premium and Reserve risk sub-module in the Standard Formula. Eligible Own Funds growth is due to a capital contribution of $20.0 million from HCCII (2021: $50.0 million) and capital generated during the year, offset by unrealised losses of $40.0 million (2021: $6.0 million) driven by rising inflation and tightening money policy by the US FED, affecting the value of fixed rate bonds.

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

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

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

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

EXCESS OF ASSETS OVER LIABILITIES - ATTRIBUTION OF VALUATION DIFFERENCES $'000	2022
Total of reserves and retained earnings from financial statements	**224,371**
Arising from Solvency II asset valuations	(309,154)
Arising from Solvency II Technical Provisions	267,790
Arising from Solvency II other liabilities	42,327
Excess assets over liabilities	**225,334**

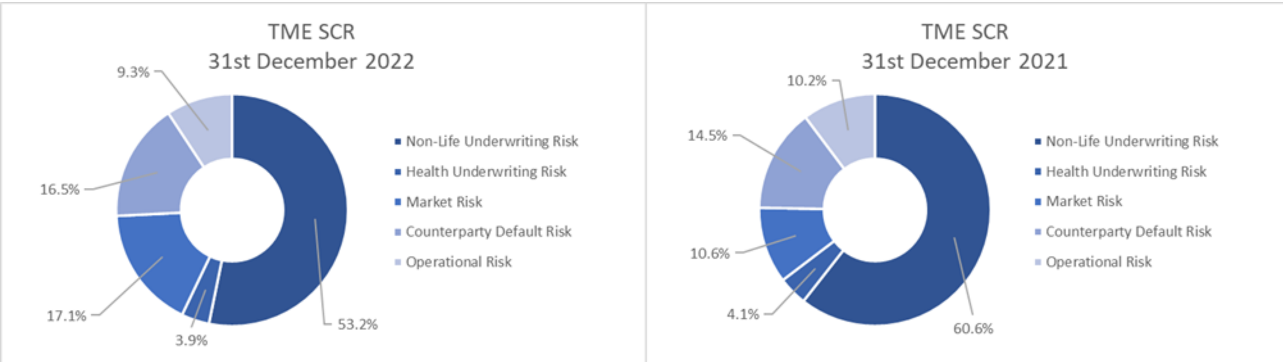
E2 Solvency Capital Requirements and Minimum Capital Requirements

At 31 December 2022, the SCR of TME is $181.1 million (2021: $157.4 million). The SCR is calculated using the Standard Formula. TME does not apply any simplifications or undertaking specific parameters in the calculation.

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

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

Capital Requirement for each Risk Module Net SCR	2022 $'000	2021 $'000
Non-Life Underwriting Risk	121,005	114,512
Health Underwriting Risk	8,860	7,665
Market Risk	38,843	20,114
Counterparty Default Risk	37,613	27,311
Diversification Credit	(46,275)	(31,552)
Operational Risk	21,068	19,362
Pre Deferred Tax SCR	181,115	157,412
Loss Absorbing Capacity of Deferred Tax	-	-
Final SCR	**181,115**	**157,412**



The 2022 breakdown of the SCR into its underlying risk categories remains broadly similar to 2021. The growth in the SCR in 2022 predominately reflects the increase in business volumes in the year and in the 2023 budget, flowing into the Non-life Premium and Reserve risk sub-module in the Standard Formula. The increase in Market risk is driven by increased future cash flows on the interest rate risk sub-module due to growth in the bond portfolio.

The diversification ratio between risk modules of the Basic SCR at 31 December 2022 is 22% (2021: 19%). This represents the diversification between risk components and is driven by the relative size of each risk module and the correlations between them.

The increase in the TME's MCR to $45.3 million from $40.7 million is driven by the increase in the SCR, as a floor of 25% of the SCR is applied. These figures are represented by the tables below:

Overall Minimum Consolidated SCR $'000	2022	2021
Linear MCR	44,790	40,716
SCR	181,115	157,412
MCR cap	81,502	70,836
MCR floor	45,279	39,353
Combined MCR	45,279	40,716
Absolute floor of the MCR	4,271	4,190
MCR	**45,279**	**40,716**

Calculation of MCR (inputs) $'000 31 December 2022	Net (of reinsurance / SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	75	124
Income protection insurance and proportional reinsurance	12,369	17,534
Workers' compensation insurance and proportional reinsurance	3,539	3,287
Motor vehicle liability insurance and proportional reinsurance	-	-
Other motor insurance and proportional reinsurance	-	-
Marine, aviation and transport insurance and proportional reinsurance	11,988	78,776
Fire and other damage to property insurance and proportional reinsurance	19,707	27,898
General liability insurance and proportional reinsurance	6,034	12,137
Credit and suretyship insurance and proportional reinsurance	61,113	62,257
Legal expenses insurance and proportional reinsurance	-	-
Assistance and proportional reinsurance	-	-
Miscellaneous financial loss insurance and proportional reinsurance	2,075	5,324
Non-proportional health reinsurance	895	1,119
Non-proportional casualty reinsurance	-	1,680
Non-proportional marine, aviation and transport reinsurance	16,809	-
Non-proportional property reinsurance	-	-

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

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

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

E4 Differences between the standard formula and any internal model used

Not applicable.

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

There were no instances of non-compliance with the MCR or SCR, for either TME, during the period from 1 January 2022 to 31 December 2022.

E6 Any other information

E6.1 Share Capital

Capital and reserves amount to $224.4 million (2021: $209.0 million), an increase of $15.4 million. The loss for 2022 is $4.6 million (2021: $4.4 million profit). TME's issued share capital is comprised of a single class of 1,159,060 Ordinary Shares of $1.00 each. TME received a capital contribution from its parent of $20.0 million during the year (2021: $50.0 million) effected by increasing TME's share premium account.

E6.2 Dividends

TME paid dividends during the year totalling $Nil (2021: $Nil).

E6.3 Undertaking-Specific Parameters and matching adjustments

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

Other material information for capital management

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

Simplified calculation in the standard formula

No material simplifications are used in calculating the Standard Formula.

Section F – ANNEX: Quantitative Reporting Templates

This Annex lists the annual QRTs submitted to the CAA on behalf of TME in respect of the year ended 31 December 2022.

The following QRTs are presented in this annex:

Form	Description	TME (Solo)
S.02.01.02	Balance Sheet	✓
S.05.01.02	Premiums, claims and expenses by LOB	✓
S.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	SCR for undertakings on Standard Formula	✓
S.28.01.01	MCR – Only life or non-life insurance or reinsurance activity	✓

Solo Quarterly Reporting Templates

S.02.01.02
Balance Sheet
Amounts in $'000

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	6,683
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	1,913
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**454,808**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	*R0100*	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	*R0130*	*367,636*
Government Bonds	R0140	67,467
Corporate Bonds	R0150	270,648
Structured notes	R0160	
Collateralised securities	R0170	29,521
Collective Investments Undertakings	R0180	25,311
Derivatives	R0190	
Deposits other than cash equivalents	R0200	61,860
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	**590,559**
Non-life and health similar to non-life	R0280	590,559
Non-life excluding health	R0290	578,357
Health similar to non-life	R0300	12,202
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	66,935
Reinsurance receivables	R0370	61,311
Receivables (trade, not insurance)	R0380	22,459
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	45,218
Any other assets, not elsewhere shown	R0420	700
Total assets	**R0500**	**1,250,526**

S.02.01.02
Balance Sheet
Amounts in $'000

Liabilities

Technical provisions - non-life	**R0510**	**720,708**
Technical provisions - non-life (excluding health)	**R0520**	**689,530**
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	673,171
Risk margin	R0550	16,359
Technical provisions - health (similar to non-life)	**R0560**	**31,178**
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	29,080
Risk margin	R0590	2,098
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
Technical provisions - life (excluding health and index-linked and unit-linked)	**R0650**	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions - index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	60
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Debts owed to credit institutions resident domestically	ER0801	
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	
Debts owed to credit institutions resident in rest of the world	ER0803	
Financial liabilities other than debts owed to credit institutions	R0810	
debts owed to non-credit institutions	ER0811	
debts owed to non-credit institutions resident domestically	ER0812	
debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	
debts owed to non-credit institutions resident in rest of the world	ER0814	
other financial liabilities (debt securities issued)	ER0815	
Insurance & intermediaries payables	R0820	29,592
Reinsurance payables	R0830	141,149
Payables (trade, not insurance)	R0840	25,233
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	108,511
Total liabilities	**R0900**	**1,025,192**

Excess of assets over liabilities	**R1000**	**225,334**

S.05.01.02

Premiums Claims and Expenses by Line of Business

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

Amounts in USD 000's

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120
Premiums written													
Gross - Direct Business	R0110	30	28,310	3,091	-	-	123,727	84,306	216,279	53,762	-	-	13,535
Gross - Proportional reinsurance accepted	R0120	-	95	-	-	-	936	6,735	342	-	-	-	4
Gross - Non-proportional reinsurance accepted	R0130												
Reinsurers' share	R0140	0	12,431	549	-	-	56,288	73,716	206,096	7,135	-	-	9,014
Net	**R0200**	**30**	**15,974**	**2,542**	**-**	**-**	**68,376**	**17,325**	**10,525**	**46,627**	**-**	**-**	**4,525**
Premiums earned		-	-	-	-	-	-	-	-	-	-	-	-
Gross - Direct Business	R0210	30	29,148	3,193	-	-	123,288	82,234	223,302	56,759	-	-	13,727
Gross - Proportional reinsurance accepted	R0220	-	78	-	-	-	1,703	4,650	569	-	-	-	4
Gross - Non-proportional reinsurance accepted	R0230												
Reinsurers' share	R0240	0	12,952	511	-	-	60,563	69,749	208,017	7,595	-	-	9,392
Net	**R0300**	**30**	**16,274**	**2,682**	**-**	**-**	**64,427**	**17,135**	**15,854**	**49,164**	**-**	**-**	**4,339**
Claims incurred		-	-	-	-	-	-	-	-	-	-	-	-
Gross - Direct Business	R0310	(36)	13,120	1,588	-	-	76,506	33,652	114,647	46,876	-	0	9,679
Gross - Proportional reinsurance accepted	R0320	-	(0)	-	-	-	1,554	(1,724)	5,199	-	-	-	(1)
Gross - Non-proportional reinsurance accepted	R0330												
Reinsurers' share	R0340	-	5,413	232	-	-	59,267	16,859	114,405	14,978	-	0	6,942
Net	**R0400**	**(36)**	**7,707**	**1,356**	**-**	**-**	**18,793**	**15,069**	**5,440**	**31,898**	**-**	**0**	**2,735**
Changes in other technical provisions		-	-	-	-	-	-	-	-	-	-	-	-
Gross - Direct Business	R0410	-	-	-	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430												
Reinsurers' share	R0440	-	-	-	-	-	-	-	-	-	-	-	-
Net	**R0500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Expenses incurred	**R0550**	**5**	**6,449**	**1,145**	**-**	**-**	**23,790**	**9,460**	**(1,410)**	**15,699**	**-**	**-**	**902**
Other expenses	R1200												
Total expenses	**R1300**												

S.05.01.02

Premiums Claims and Expenses by Line of Business

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

Amounts in USD 000's

		Line of Business for: accepted non-proportional reinsurance				Total
		Health	Casualty	Marine, aviation, transport	Property	
		C0130	C0140	C0150	C0160	C0200
Premiums written						
Gross - Direct Business	R0110					523,041
Gross - Proportional reinsurance accepted	R0120					8,112
Gross - Non-proportional reinsurance accepted	R0130	1,329	21,537	7,234	46,383	76,483
Reinsurers' share	R0140	208	21,795	3,850	10,621	401,703
Net	R0200	1,121	(258)	3,385	35,761	205,933
Premiums earned		-	-	-	-	-
Gross - Direct Business	R0210					531,682
Gross - Proportional reinsurance accepted	R0220					7,003
Gross - Non-proportional reinsurance accepted	R0230	1,195	17,999	6,913	44,086	70,193
Reinsurers' share	R0240	106	18,292	3,869	10,978	402,025
Net	R0300	1,088	(293)	3,044	33,108	206,853
Claims incurred		-	-	-	-	-
Gross - Direct Business	R0310					296,031
Gross - Proportional reinsurance accepted	R0320					5,027
Gross - Non-proportional reinsurance accepted	R0330	1,212	3,498	19,444	41,590	65,744
Reinsurers' share	R0340	(31)	3,596	252	24,844	246,757
Net	R0400	1,243	(98)	19,192	16,747	120,046
Changes in other technical provisions		-	-	-	-	-
Gross - Direct Business	R0410					-
Gross - Proportional reinsurance accepted	R0420					-
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-
Net	R0500	-	-	-	-	-
Expenses incurred	R0550	253	(2,130)	1,425	10,941	66,529
Other expenses	R1200					-
Total expenses	R1300					66,529

S.05.02.01

Premiums Claims and Expenses by country

Amounts in USD 000's

		Total Top 5 and home country	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations				
		C0070	C0010	C0020	C0030	C0040	C0050	C0060
R0010			Luxembourg (LU)	Spain (ES)	Germany (DE)	France (FR)	United Kingdom (After Brexit)	Italy (IT)
		C0140	C0080	C0090	C0100	C0110	C0120	C0130
Premiums written								
Gross - Direct Business	R0110	**432,884**	1,089	185,117	86,830	82,204	49,506	28,138
Gross - Proportional reinsurance accepted	R0120	**1,560**	628	-	721	95	115	1
Gross - Non-proportional reinsurance accepted	R0130	**28,535**	2,304	3,573	10,825	5,195	499	6,138
Reinsurers' share	R0140	**320,050**	3,691	173,537	67,575	28,836	25,428	20,984
Net	**R0200**	**142,929**	**329**	**15,153**	**30,801**	**58,659**	**24,693**	**13,294**
Premium earned								
Gross - Direct Business	R0210	**432,933**	1,378	197,293	83,577	81,464	45,549	23,673
Gross - Proportional reinsurance accepted	R0220	**1,647**	656	-	599	78	313	1
Gross - Non-proportional reinsurance accepted	R0230	**26,255**	2,968	345	10,703	5,225	523	6,491
Reinsurers' share	R0240	**320,763**	4,494	180,079	64,915	29,328	23,809	18,137
Net	**R0300**	**140,072**	**507**	**17,558**	**29,963**	**57,439**	**22,577**	**12,028**
Claims incurred								
Gross - Direct Business	R0310	**259,536**	249	117,374	34,861	44,816	52,123	10,112
Gross - Proportional reinsurance accepted	R0320	**3,234**	972	-	2,200	-	62	-
Gross - Non-proportional reinsurance accepted	R0330	**56,533**	18,836	149	36,568	246	274	460
Reinsurers' share	R0340	**214,783**	13,511	79,115	49,560	30,266	35,208	7,124
Net	**R0400**	**104,519**	**6,545**	**38,409**	**24,069**	**14,796**	**17,251**	**3,449**
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	**R0500**	-	-	-	-	-	-	-
Expenses incurred	**R0550**	**38,294**	779	(1,161)	1,596	23,010	12,452	1,618
Other expenses	**R1200**	-						
Total expenses	**R1300**	**38,294**						

S.17.01.02

Non-Life Technical Provisions

Amounts in $'000

		Direct business and accepted proportional reinsurance											
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions calculated as a whole	**R0010**												
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050												
Technical Provisions calculated as a sum of BE and RM													
Best estimate													
Premium provisions													
Gross	R0060	**55**	**(33)**	**615**	–	–	**4,684**	**(7,768)**	**(15,674)**	**11,478**	–	–	**271**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(0)	(1,218)	75	–	–	5,265	(12,150)	(9,153)	(3,471)	–	–	1,082
Net Best Estimate of Premium Provisions	**R0150**	**55**	**1,184**	**540**	–	–	**(581)**	**4,382**	**(6,522)**	**14,950**	–	–	**(810)**
Claims provisions		–	–	–	–	–	–	–	–	–	–	–	–
Gross	R0160	–	**23,713**	**3,530**	–	–	**70,958**	**49,322**	**323,813**	**67,319**	–	–	**30,586**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	(19)	12,528	531	–	–	58,388	33,997	311,257	21,156	–	–	27,701
Net Best Estimate of Claims Provisions	R0250	**19**	**11,185**	**2,999**	–	–	**12,570**	**15,326**	**12,555**	**46,163**	–	–	**2,885**
Total Best estimate – gross	R0260	**55**	**23,679**	**4,145**	–	–	**75,642**	**41,554**	**308,139**	**78,798**	–	–	**30,857**
Total Best estimate – net	**R0270**	**75**	**12,369**	**3,539**	–	–	**11,988**	**19,707**	**6,034**	**61,114**	–	–	**2,075**
Risk margin	**R0280**	6	1,583	398	–	–	3,337	2,017	3,014	5,360	–	0	459
Amount of the transitional on Technical Provisions		–	–	–	–	–	–	–	–	–	–	–	–
Technical Provisions calculated as a whole	R0290	–	–	–	–	–	–	–	–	–	–	–	–
Best estimate	R0300	–	–	–	–	–	–	–	–	–	–	–	–
Risk margin	R0310	–	–	–	–	–	–	–	–	–	–	–	–
Technical Provisions		–	–	–	–	–	–	–	–	–	–	–	–
Technical provisions – total	R0320	**62**	**25,262**	**4,543**	–	–	**78,979**	**43,571**	**311,153**	**84,157**	–	**0**	**31,316**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	R0330	**(20)**	**11,310**	**606**	–	–	**63,654**	**21,847**	**302,105**	**17,684**	–	–	**28,782**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re– total	R0340	**81**	**13,952**	**3,937**	–	–	**15,326**	**21,724**	**9,048**	**66,473**	–	**0**	**2,533**

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

		Accepted non-proportional reinsurance:				
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligations
		C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**					0.00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050					0.00
Technical Provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	R0060	(18)	(9,010)	(1,692)	(9,947)	(27,039)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	47	(2,564)	(5,138)	8,585	(18,640)
Net Best Estimate of Premium Provisions	**R0150**	(65)	(6,446)	3,446	(18,532)	(8,399)
Claims provisions		-	-	-	-	-
Gross	R0160	1,219	62,168	(19,558)	77,106	729,290
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	259	61,967	6,194	75,240	609,199
Net Best Estimate of Claims Provisions	R0250	961	200	13,363	1,866	120,092
Total Best estimate - gross	R0260	1,201	53,158	17,865	67,159	702,252
Total Best estimate - net	**R0270**	895	(6,246)	16,809	(16,666)	111,693
Risk margin	**R0280**	110	109	636	1,427	18,456
Amount of the transitional on Technical Provisions		-	-	-	-	-
Technical Provisions calculated as a whole	R0290	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-
Technical Provisions		-	-	-	-	-
Technical provisions - total	R0320	1,311	53,267	18,501	68,586	720,708
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	306	59,404	1,056	83,825	590,559
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	1,006	(6,137)	17,445	(15,239)	130,149

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

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

Gross Claims Paid (non-cumulative)

		Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											874
-9	R0160	0	0	0	0	0	0	971	-625	649	2,365	
-8	R0170	0	0	0	0	0	6,150	4,430	18,501	2,966		
-7	R0180	0	0	0	0	2,152	127	18,424	-922			
-6	R0190	0	0	0	7,872	4,872	7,217	1,232				
-5	R0200	0	0	9,823	6,179	9,777	7,534					
-4	R0210	0	50,538	12,212	11,300	-492						
-3	R0220	28,825	57,382	36,374	22,703							
-2	R0230	21,305	56,926	18,086								
-1	R0240	32,215	103,589									
0	R0250	23,557										

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

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	874	874
	R0160	2,365	3,360
	R0170	2,966	32,046
	R0180	(922)	19,781
	R0190	1,232	21,194
	R0200	7,534	33,312
	R0210	(492)	73,558
	R0220	22,703	145,284
	R0230	18,086	96,316
	R0240	103,589	135,804
	R0250	23,557	23,557
Total	R0260	**181,492**	**585,087**

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

Gross undiscounted Best Estimate Claims Provisions

		Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											2,666
-9	R0160	0	0	0	0	0	0	25,097	17,892	14,874	10,662	
-8	R0170	0	0	0	0	0	29,258	44,944	53,832	48,711		
-7	R0180	0	0	0	0	29,250	21,567	16,259	17,542			
-6	R0190	0	0	0	31,119	27,041	21,575	35,626				
-5	R0200	0	0	46,589	47,183	41,799	40,806					
-4	R0210	0	78,141	64,178	60,973	56,830						
-3	R0220	91,195	124,831	101,002	92,562							
-2	R0230	97,713	114,931	110,911								
-1	R0240	182,032	235,029									
0	R0250	107,532										

S.19.01.21.04

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

		Year end (discounted data)
		C0360
	R0100	1,955
	R0160	9,541
	R0170	43,545
	R0180	15,931
	R0190	32,495
	R0200	37,101
	R0210	51,657
	R0220	83,595
	R0230	100,688
	R0240	214,420
	R0250	97,037
Total	R0260	**687,964**

S.23.01.01
Own Funds
Amounts in $’000

S.23.01.01.01
Own Funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	1,159	1,159			
Share premium account related to ordinary share capital	R0030	231,232	231,232			
mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	-13,681	-13,681			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	6,623				6,623
above	R0180					
the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	225,334	218,711			6,623

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

Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	225,334	218,711			6,623
Total available own funds to meet the MCR	**R0510**	218,711	218,711			
Total eligible own funds to meet the SCR	**R0540**	225,334	218,711			6,623
Total eligible own funds to meet the MCR	**R0550**	218,711	218,711			
SCR	**R0580**	181,115				
MCR	**R0600**	45,279				
Ratio of Eligible own funds to SCR	**R0620**	124.41%				
Ratio of Eligible own funds to MCR	**R0640**	483.03%				

S.23.01.01.02

Reconciliation Reserves

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	225,334
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	239,014
fenced funds	R0740	
Reconciliation reserve	R0760	-13,681
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	84,400
Total Expected profits included in future premiums (EPIFP)	**R0790**	**84,400**

S.25.01.21
Solvency Capital Requirement – for undertakings on Standard Formula
Amounts in $'000

		Gross solvency capital requirement	USP	Simplifications
		C0040	C0080	C0090
Market risk	R0010	38,843		
Counterparty default risk	R0020	37,613		
Life underwriting risk	R0030	-		
Health underwriting risk	R0040	8,860		
Non-life underwriting risk	R0050	121,005		
Diversification	R0060	(46,275)		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	**R0100**	**160,047**		

Calculation of Solvency Capital Requirement

		C0100
Total capital requirement for operational risk	R0130	21,068
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	**R0200**	**181,115**
Capital add-on already set	R0210	-
Solvency capital requirement	**R0220**	**181,115**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.25.01.21.01
Basic Solvency Capital Requirement

		Yes/No
		C0109
Approach based on average tax rate	R0590	

Calculation of loss absorbing capacity of deferred taxes

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

S.28.01.01
Minimum Capital Requirement – Only life or non- life insurance or reinsurance activity
Amounts in $'000

MCR calculation Non Life		Non-life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Non-life activities: Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	75	124
Income protection insurance and proportional reinsurance	R0030	12,369	17,534
Workers' compensation insurance and proportional reinsurance	R0040	3,539	3,287
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	11,988	78,776
Fire and other damage to property insurance and proportional reinsurance	R0080	19,707	27,898
General liability insurance and proportional reinsurance	R0090	6,034	12,137
Credit and suretyship insurance and proportional reinsurance	R0100	61,113	62,257
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	2,075	5,324
Non-proportional health reinsurance	R0140	895	1,119
Non-proportional casualty reinsurance	R0150	0	1,680
Non-proportional marine, aviation and transport reinsurance	R0160	16,809	0
Non-proportional property reinsurance	R0170		

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

		Non-life activities	Life activities
		C0010	C0040
MCR$_{NL}$ Result	R0010	44,790	
MCR$_{L}$ Result	R0200		

S.28.01.01.01
Linear formula component for non-life insurance and reinsurance obligations

Overall MCR calculation		C0070
Linear MCR	R0300	**44,790**
SCR	R0310	181,115
MCR cap	R0320	**81,502**
MCR floor	R0330	**45,279**
Combined MCR	R0340	**45,279**
Absolute floor of the MCR	R0350	4,271

		C0070
Minimum Capital Requirement	**R0400**	**45,279**